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U.S. SMALL BUSINESS ADMINISTRATION'S BUSINESS DEVELOPMENT PROGRAMS

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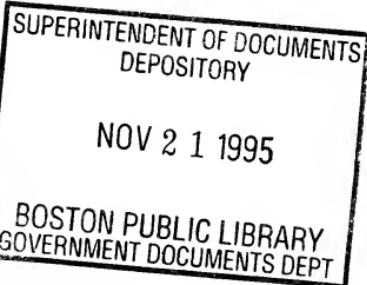
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HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTH CONGRESS FIRST SESSION

WASHINGTON, DC, MARCH 16, 1995

Printed for the use of the Committee on Small Business

Serial No. 104-19



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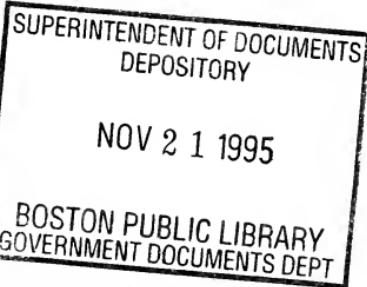
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U.S. SMALL BUSINESS ADMINISTRATION'S BUSINESS DEVELOPMENT PROGRAMS

THURSDAY, MARCH 16, 1995

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
*Washington, DC.***

The committee met, pursuant to notice, at 10:07 a.m., in room 2359-A, Rayburn House Office Building, Hon. Jan Meyers (chairwoman of the committee) presiding.

Chairwoman MEYERS. The committee will come to order.

The U.S. Small Business Administration offers a variety of programs to offer education, training, and management consulting to its small business clients. This has been in response to a number of studies which indicate that the primary cause of business failure, even greater than lack of capital, is lack of management expertise. These programs include partnerships such as the Service Corps of Retired Executives, or SCORE; the Small Business Development Centers; and the Small Business Institutes; as well as audience-specific programs such as the Office of International Trade, the Office of Women's Business Ownership, and the Office of Veterans Affairs.

Services are delivered at workshops, seminars, through one-on-one counseling, and through publications and the agency's electronic bulletin board system. All of these tools which educate and assist the entrepreneur have a value. However, in these challenging times where every dollar spent must be weighed in the light of return on investment, we need to look closely at each program to determine how to give the best service at the best price. This is our mission today.

We have a number of witnesses today from the SBA and from the business community who will describe the impact and effectiveness of these programs. At this time—well, I was going to recognize Mr. LaFalce, but perhaps he will be here shortly and we will turn to him for an opening statement.

I do have some statements that have been submitted by Mr. Peterson, and, without objection, I would like to have that statement entered into the record.

We have also received a number of letters that, without objection, I would like to enter into the record.

[The statements and letters may be found in the appendix.]

Chairwoman MEYERS. I would like to at this time recognize our ranking member, Mr. LaFalce, for an opening statement.

Mr. LAFALCE. Good timing.

Chairwoman MEYERS. Yes, very good timing.

Mr. LAFALCE. Thank you very much, Madam Chair. I am pleased that you are having this hearing to review the business development programs of the SBA.

Most people have heard of the SBA but generally think of it as being a lending source only. Surely financial assistance is a major component of the small business assistance delivered by the SBA. However, many years ago we learned that simply providing financial assistance to a small business or to a prospective small business was not sufficient to facilitate that firm's participation in our economy. Simply stated, money alone won't buy happiness and it won't buy a successful small business. Education is also necessary, education on how to keep books and records, how to advertise and market, even how to determine whether the business is operating at a profit or loss. Without this crucial information, providing financial assistance is actually performing a disservice to the borrower as that person will probably not only not make a profit, but will be unable to repay the loan from business income and may lose all of his or her personal resources.

Decades ago we attempted to provide this education, or management assistance and counseling, primarily through SBA employees. This did not work adequately enough, and so we turned to outside sources such as SCORE, Small Business Institutes, Small Business Development Centers, and other specialized entities. As a result of the efforts of these entities, we are learning that with the proper assistance most small businesses can succeed rather than fail. I believe that continuation of these efforts to educate small business is critical to the survival of the small business community.

Members of Congress from every county in the United States are aware of the Agricultural Extension Service which reaches out to the farmers of America in large part through management assistance. The SBA is a management assistance service which reaches out to small businesses of America, whether in rural or urban settings, in order to provide them not only the money but the management expertise to enable them, give them the opportunity to be successful.

So I thank you for having this hearing today designed to, I hope, improve the business development programs of the SBA.

Chairwoman MEYERS. Thank you, Mr. LaFalce.

Any other members that have opening statements, I would ask that they be entered into the record.

Chairwoman MEYERS. Our first witness today is Mary Jean Ryan. She is Associate Deputy Administrator for Economic Development of the SBA, and, at this time, Mary Jean Ryan.

TESTIMONY OF MARY JEAN RYAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR ECONOMIC DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC, ACCOMPANIED BY: JEANNE SCLATER, ASSISTANT ADMINISTRATOR FOR INTERNATIONAL TRADE; MONIKA EDWARDS HARRISON, ASSOCIATE ADMINISTRATOR FOR BUSINESS INITIATIVES; JOHNNIE ALBERTSON, ASSOCIATE ADMINISTRATOR/SBDC; LEON J. BECHET, ASSISTANT ADMINISTRATOR FOR VETERANS AFFAIRS; AND BETSY MYERS, ASSISTANT ADMINISTRATOR, WOMEN'S BUSINESS OWNERSHIP

Ms. RYAN. Thank you.

Madam Chair and members of the committee, thank you very much for inviting us here today to review with you SBA's role in business education and training. I would request that my full statement be included in the record.

Chairwoman MEYERS. Without objection.

Ms. RYAN. I have brought with me the Directors of the various program offices with the primary responsibilities for business education and training: Johnnie Albertson with the Small Business Development Centers; Monika Harrison, Director of our Business Initiatives Office; Betsy Myers, the Director of our Women's Business Office; Jeanne Slater, our Director for International Trade; and Leon Bechet, the Director of our Office of Veterans Affairs.

It wouldn't be an SBA hearing if we didn't use our charts, so if you don't mind I'm going to move over to our charts very briefly.

[The charts may be found in the appendix.]

Ms. RYAN. When Administrator Lader testified before you not too long ago he talked about SBA as having four major components: access to capital; education, and training; advocacy and contracting opportunities; and what he calls the SBA no one knows, referring to the SBA's disaster lending operation. Today we are going to be talking about the education and training programs of the SBA. Often this training is the critical link for a business to access capital or can be the difference between success and failure.

SBA, through its wide network of offices and through national system of resource partners, offers a wide range of business education and training programs. It is really important to note that businesses have very different needs when it comes to business education and information, and because of that, we have to use a lot of different approaches when trying to address these needs. This chart just gives you an example of some of the types of ways we address business education and training. We are going to get into that in a lot more detail.

All of these services are offered either for free or for a very affordable small fee. We think it is really important that all over the United States these services be available to businesses in a highly affordable way and a highly accessible way.

These programs are real good examples of public-private partnership at work. I say this because many of these programs operate through the use of volunteers, many of them require significant matching funds, and many of them leverage very substantial amounts of corporate investment. Many of them are delivered by non-Federal intermediaries at the State and local level, and we are increasingly making excellent use of the State university and com-

munity college systems. The breadth of the delivery system I think is one of SBA's greatest strengths.

When you look at this next chart, it is a map that shows you all the business and training programs in terms of their geographic location in the United States. I think it is a good way to think of these offerings as being SBA's retail side. These are the places where the real small businesses actually go in and connect with SBA and all that it has to offer.

We are trying very hard in all of our programs to train the operators of these different outlets on the full SBA product line so that all the businesses that connect with SBA at different places can get the benefit of all that SBA has to offer. This is basically the thinking behind the one-stop shopping concept.

Let me just talk briefly about how people actually get served by these programs. I know you are going to hear later from many witnesses who use these programs but just a couple of examples. Let's take first a start startup, and let's, just for sake of an example, pretend that it is a person that wants to start an ice cream store. That person will go to their local district office. In a lot of cities around the U.S., the District Office has a Business Information Center to which the person will go. Let's say at this point it is a little more than an idea, but it is still pretty much in the idea stage.

That person can go into a Business Information Center and actually take down from the shelf a business planning guide that is for ice cream shops. I mean one approach doesn't fit all, and we have done a really good job of getting the best in business educational resources in these Business Information Centers so that you can sit down usually with a SCORE counselor, and have someone who is walking you through the ABC's of how to do a business plan: What are the major things you should really think about? How do you really look at what the right location would be? How do you approach pricing? What is the competition in that area? How do you assess for the viability of this idea before you jump in and try it?

Let's say that the idea does look feasible. Then the person can further get assistance through the Business Information Center and SCORE on doing cash flow projections. I know a lot of companies, where if you say to the business owner, "Well, it sounds good, come back tomorrow with your projections," the person would look at you as if to say, "what are you talking about?" These are not things that we all learn in college, these are things you have to learn. SBA Programs make it possible for you to go to a very convenient location and have someone show you how to do this, walk you through the software, and in not too long have a real world way of looking at whether this makes sense for you or not.

A quick example on an existing business: A person who is manufacturing in a small facility gourmet salad dressings, primarily serving the local market, selling to restaurants in the area. That person has bigger ambitions and wants to learn about how to better package their product and have a more professional imagine and so gets help for that through the Small Business Development Center in the area.

Further, he or she has an interest in looking at what other markets might be, and so through the U.S. and Foreign Commercial

Service, which is a system that Commerce offers, they are able to get information on what markets might be available for this product.

SBA comes in again where that person can go and get help in putting together financing to export. In a real life case that I'm aware of, this story ended with a business selling regularly to Japan and employing 30 people. So, these are real, excellent services, and very conveniently located. My stories are not meant to do anything other than just to give a feel for how people actually connect with these services.

Through the collected effort of these programs, literally millions of business owners have been assisted. Last year alone we served almost 900,000 businesses through the business education and training programs, and this doesn't count the over 1 million connections now that businesses have made to the SBA on-line electronic computer system. So, you can see the trends. Since the early eighties the numbers served have been growing dramatically, and we are doing everything we can to further streamline and serve more small businesses.

A final point before I get into the individual programs is just a little bit about the approach we are trying to take now. We did a major reorganization about a year ago where we brought the business education and financing programs together under a new office of Economic Development. They are all operating in one organizational unit, and we did that because we feel like our history has shown us that when business education and finance work hand in hand both work better. So we are trying very hard to work in a more integrated way.

We are also trying to be more proactive. When we have scarce resources, we think it is really important that we try to focus on areas that are underserved and on firms that perhaps have the highest economic development impact. A good example of this is our track record of serving businesses in rural communities. Through the business and education programs, about 45 percent of our clients have been firms located in rural communities.

I would like now to give you some key facts on each of the programs, and in the interest of time I'm going to be very brief. But, again, each manager is here and we are happy to answer any questions you have.

I will begin with SCORE, the Service Corps of Retired Executives. SCORE is an association of 13,000 business executives. These retired executives volunteer their time and expertise to counsel clients and to conduct training seminars at approximately 700 locations throughout the United States. We have a map that shows the SCORE locations which is being put up for your review.

SCORE is generally located in the SBA district and branch offices, in the newly established U.S. Export Assistance Centers and in the Business Information Centers. SCORE's main focus is start-up counseling. Last year SCORE served approximately 340,000 clients. The current year appropriation is \$3.25 million, and the 1996 request is the same.

The Small Business Development Center Program is a partnership between SBA and the States dedicated to serving the counseling and training needs of small businesses. This program is deliv-

ered mainly by experienced small business experts through the university and community college systems. There is a national network of 56 State and regional SBDC's with 940 service centers. We have a chart that shows the SBDC system locations: 557,000 small business clients were served by SBDC's in 1994. The current year appropriation is \$74 million; the 1996 request is the same. The SBDC must match the SBA funding that is provided. While SBDC's meet the counseling and training needs of a wide range of clients, their primary focus is on established businesses.

The women's business programs: SBA's Women's Business Office is the only office in the Federal Government specifically targeted to the woman business owner. Its mission is to support the growth of women entrepreneurs from startup to expansion. Funding for fiscal year 1995 is approximately \$4.7 million. Fiscal year 1996 is basically the same. This office is responsible for initiatives that cross SBA Program lines. These include the women's demonstration projects. These efforts have provided long-term training and counseling for over 30,000 women, many in extremely isolated and economically depressed areas.

The Women's Prequalification Program allows a women business owner to receive a preauthorization from SBA for a loan guaranty before going to a bank. To date 16 cities have these pilots, and over \$24 million in loans have been provided.

The Women's Procurement Pilot Program: This is helping women business owners gain access to more of the Federal procurement opportunities. This is responsive to last year's legislation which established a 5 percent goal in Federal procurement for women-owned businesses.

Last, the Interagency Committee on Women's Business Enterprise. This effort is cochaired by Laura D'Andrea Tyson and our women's business director, Betsy Myers. This committee was created in last year's SBA authorization bill to address public policy concerns of women business owners.

The final service location map shows the locations of the demonstration sites, the pre-qual pilot sites the Business Information Centers, and the U.S. Export Assistance Centers. We will leave that one up as we move through the balance of these programs.

The Office of International Trade: SBA's Office of International Trade serves as a focal point for small businesses interested in learning how to export and for those needing financing for export sales. The Office of International Trade is responsible for representing SBA on the Trade Promotion Coordinating Committee. This interagency group is responsible for the national export strategy. It analyzed the needs of U.S. businesses and the roles that are played by various agencies, and it gave SBA two explicit duties: First, to educate small businesses on how to export; and, second, to develop a new financing mechanism to finance export sales.

The office of International Trade oversees SBA's role in the new Export Assistance Centers. These are one-stop shops for exporters combining the resources of SBA, Commerce, and the Eximbank. The Office of International Trade also had the lead role for SBA in implementing SBA's new Export Working Capital Program.

The Office of Veterans Affairs: This office is the only Federal Government office assisting veterans who want to go into business.

The small staff works to ensure that vets interested in starting or expanding a business have good access to SBA. The results have been excellent. In fiscal year 1994 over \$1 billion in SBA-guaranteed loans went to veterans, and through the work of SBA's resource partners and through the work of the Office of Veterans Affairs staff 200,000 veterans received counseling or training. This office is also spearheading SBA's defense conversion activities.

Business Information Centers: We call them BIC's. BIC's offer the latest computer hardware and software and an extensive business library. What makes BIC's more than a high-tech library though is the on-site counseling available at the centers. All the BIC's combine the self-help approach with the one-on-one interaction provided by the business counselors. There are 14 existing BIC's; 38 others will be established within the next year; 15 of those are in empowerment zones.

SBA On Line is the agency's electronic bulletin board for small businesses. This effort is cosponsored with Sprint. Sprint pays for the toll-free 800 lines. From its inception in October of 1992 to this January, over 1 million connections have been logged; 114,000 businesses are regular users of this bulletin board.

Small Business Institute Program: The Small Business Institute Program provides in-depth counseling for small business clients through 4-year academic institutions. The counseling is usually done by senior undergraduate or by graduate students directed by a business school faculty member. The schools are given a lump sum grant of \$500 for each successfully completed case. The grants are used to defray the cost of delivering the program.

While the program can offer more in-depth assistance than many of the other SBA assistance programs, it can only serve an extremely small number of clients compared to those other programs. For example, for the same \$3 million appropriation SCORE serves 350,000 clients while SBI, the Small Business Institute, reaches only 6,000.

SBA faced a number of difficult decisions in reaching the total agency budget request for fiscal year 1996. Demand for our business education services continues to grow. Yet SBA is committed to continuing our track record of serving more firms at a lower cost to the taxpayer, so we couldn't leave all the programs intact and still reduce our overall agency budget. The SBI Program is one of the programs for which no funds are being requested in the 1996 budget.

Last, I just want to touch on a few ways that we are trying to work to continue to improve these programs. We are looking for ways to continue at low cost to offer the one-stop shop concept at more locations throughout the country. We are trying to continue the increased emphasis on quality of counseling and information. For example, we are looking for ways to continue to offer professional development training and training on all of our programs to our SCORE counselors, and we are working with the Small Business Development Centers on implementing a counselor certification program. We are continuing to expand the offerings of SBA On Line. We just made it accessible, for example, through the Internet, and we are looking at ways to raise additional fees.

Chairwoman MEYERS. Ms. Ryan, if you could summarize, maybe we should break and go vote and come back because we are at 10 minutes now.

Ms. RYAN. I'm actually finished. Thank you.

[Ms. Ryan's statement may be found in the appendix.]

Chairwoman MEYERS. All right. When we come back what I would like to do is just take, for instance, Monika Harrison has business initiatives under her umbrella which are SCORE, the Business Information Centers, SBA On Line, the SBI's have been there, so that we can kind of get a picture of who exactly is doing what, and so we will break and come back, and we will have questions for people then.

Ms. RYAN. Thank you.

[Recess.]

Chairwoman MEYERS. The committee will come to order, and I would like to kind of go through each individual, because I think this is the most confusing thing really about SBA, is this bewildering number of programs that they have, and nobody can ever quite understand how many there are, where they are, how they function.

Betsy Myers, you are head of women's business ownership, and I believe when Ms. Ryan was talking she mentioned the women's demonstration projects, is it called the women's demonstration projects?

Ms. MYERS. Right.

Chairwoman MEYERS. Women's prequalification for loans of course, women's procurement to assist women with Government contracts, and then there was another one, women's business—

Ms. MYERS. The Interagency Committee.

Chairwoman MEYERS. Oh, the Interagency Committee, OK, and this is a group from each department?

Ms. MYERS. Ten Federal agencies.

Chairwoman MEYERS. From 10 Federal agencies.

Ms. MYERS. Although we have included all of the Federal agencies.

Chairwoman MEYERS. And do you meet once a month?

Ms. MYERS. The legislation mandates that we meet twice a year. We had our first meeting at the White House 3 weeks ago.

Chairwoman MEYERS. Do you meet with the women's business owners?

Ms. MYERS. There is the private sector component, it is called the National Woman's Business Council, and they met with us.

Chairwoman MEYERS. Do you meet at the same time?

Ms. MYERS. We had separate meetings and then a meeting together.

Chairwoman MEYERS. OK. Thank you.

If you could tell me just a little about the women's demonstration projects. I have heard about these. I don't know how many they are or where they are located.

Ms. MYERS. We currently have 36 centers across the country. These technical assistance centers were created in the 1988 Women's Business Ownership Act. They are technical assistance centers to help women not only start businesses but to expand businesses.

Chairwoman MEYERS. And are these in areas where it is particularly focused on poverty? Is there a particular niche that this group fills as opposed to the Business Information Centers, for instance?

Ms. MYERS. We do try to concentrate our demonstration sites in areas where there is shown a need for them, and in our RFP process that we use when we open new centers we take a look at opening centers in areas where there aren't other resources and where there is a high level of economic need. We have centers everywhere from Indian reservations to in Hispanic areas, black areas, low economic areas, urban areas, and we had increased funding this year that will allow us to open approximately another 19 to 20 sites.

Chairwoman MEYERS. Usually at these sites are there 1 person, 2 people or 10 people?

Ms. MYERS. They are very small, and so there is usually one to three people who staff them. We use the community, other women business owners, to come in and help teach classes.

Chairwoman MEYERS. Is there a local match component?

Ms. MYERS. Yes. These are wonderful because they are an example of the public-private partnership. In the first year of funding we give them \$2 for every dollar they raise, the second year it is dollar for dollar, and the third year it is \$1 for every \$2 they raise, and in the fourth year they are completely on their own in the community.

Chairwoman MEYERS. Women's procurement, are these people in the SBA offices around the country?

Ms. MYERS. We have a person within SBA central office, but also in our new pilot program we have a women's representative in each of the Federal agencies that help us do better outreach to women business owners and procuring offices.

Chairwoman MEYERS. So that is more of a Washington-based thing?

Ms. MYERS. Right.

Chairwoman MEYERS. Mr. Bechet, you are head of Veterans Affairs?

Mr. BECHET. The Office of Veterans Affairs.

Chairwoman MEYERS. Are there any subheadings there that we should know about that assist veterans?

Mr. BECHET. Well, really not subheadings. Initially what we try to do is to work with other SBA Programs to deliver everything we have to veterans. We have found over a period of time, however, that there are some specific areas where veterans need assistance that aren't necessarily offered by the Small Business Administration in the typical form.

For example, we have the Veteran Training Program. We knew that as far as training was concerned there really was no training offered that took a person straight through from day one all the way to establishing and operating a business. Now there were different segments of this program that were offered, but we saw a need, and we got feedback from the veterans organizations that it would be good for veterans if there were a single program where the veteran could get involved from day one and go all the way through.

Chairwoman MEYERS. Is this the kind of thing where you have people in the SBA offices? Is it mostly Washington based and you send information out?

Mr. BECHET. No. On these types of programs we have been working exclusively with outside sources and insisting that they come up with matching funds to put on these programs. Two of them are in existence currently that bear note. One is with Rutgers University, and in that particular instance I think you have one of the participants of that program who will be here later on today to testify before the committee.

In that particular program we had Rutgers University put on a training program for veterans. It was a long-term training program that would take the veteran from step one, I'm interested in a business, through a support group that they have formed at Rutgers that really supports the veterans who go into business and additionally encourages those who did not go into business to keep at it until such time as they think they are ready to go.

Chairwoman MEYERS. All right. Let me go on down the line here, but I thank you very much for your contribution.

Mr. BECHET. Thank you.

Chairwoman MEYERS. Johnnie Albertson, you are head of the SBDC's.

Ms. ALBERTSON. That is correct.

Chairwoman MEYERS. And these are in association with universities and colleges, and there is a local match. Tell us just for a minute or so.

Ms. ALBERTSON. We fund 56 lead centers. The predominant number of them are with either universities or community colleges. However, there are 11 of them in 11 States that are funded through the Department of Commerce of the State. We fund the State government, in short.

The program requires a 100 percent match, 50 percent in kind, 50 percent in cash. Each of these lead centers then must establish what we call subcenters around the State in order to cover the State so that they are easily accessible to the small business. There are 56 lead centers that we fund, 1 in every State, 4 in Texas, but there are 940 subcenters that are subfunded by the SBDC's.

Chairwoman MEYERS. These are primarily business students and teachers?

Ms. ALBERTSON. No. These are management consultants or professional business people who do this. This is a \$74 million program in terms of Federal appropriations.

Chairwoman MEYERS. I guess I just assumed since they were associated mostly with universities and colleges that there was an attempt to involve students.

Ms. ALBERTSON. They can involve graduate students only, and they sometimes will involve faculty, but they are also required to provide whatever assistance the business needs. If it is not available through existing university resources, then they must purchase it.

Chairwoman MEYERS. All right. Thank you very much.

Monika, we have talked a little bit about you, Monika Harrison, Ms. Harrison. You have under your umbrella SCORE, the Business Information Centers, which Ms. Ryan told us a little bit about,

SBA On Line; the SBI's have been zeroed in President Clinton's budget for this year.

The Business Information Centers, are those located where SBA offices are, separate from SBA offices? Tell us about those.

Ms. HARRISON. We actually have a couple of models. We have what I call plain vanilla BIC's. Those happen to be colocated in SBA district offices, and then we have Business Information Centers which are typically off the premises of the SBA office and which are cosponsored with large corporations. We started out having almost all plain vanilla BIC's.

As we considered how to fund these and how to minimize our own costs and yet keep adding to the number that we make available, we looked at corporations and said let's try to enlist them in this, and we have, for example, a national partnership with NationsBank to do eight sites with them. We have also included Bell Atlantic as an additional national partner.

We now have a third model in partnership with the city of Fort Worth, which opened a few weeks ago.

Of the 14 BIC's now open, 10 of them are vanilla BIC's located in SBA district offices. When a client comes to visit the SBA, they would talk to a receptionist or whomever, to determine what services are needed. If they are looking to either receive counseling or to do some work on their own and the SBA office has a Business Information Center, they would be sent there, where a counselor is available to help the client use the equipment and information resources necessary to meet his or her needs.

The off-the-premises Business Information Centers, those that we partner with NationsBank and Bell Atlantic and now with the city of Fort Worth—

Chairwoman MEYERS. I thought we had an off-premises one in Kansas City.

Ms. HARRISON. Actually it is located on the first floor of the SBA district office.

Chairwoman MEYERS. That is right, it is.

Ms. HARRISON. Yes.

Mary Jean just pointed out there will be a One-Stop Capital Shop, which can be confused with BIC's. Business Information Centers are the core component of a one-stop capital shop, and so every Empowerment Zone which wants to have a One-Stop Capital Shop will start with a Business Information Center. Those will be off the SBA premises.

Chairwoman MEYERS. All right. Let's go on, because I think we have a lot of people here to question.

Finally, Jean Sclater.

Ms. SCLATER. Yes. Good morning.

Chairwoman MEYERS. And you are the head of the International Trade Office. You have export assistance centers, and you harmonize lending with the Eximbank.

Ms. SCLATER. Yes, ma'am. SBA is a partner in the U.S. Export Assistance Centers, along with the Department of Commerce and Eximbank in some locations and in some locations with AID. Over the last year, as you pointed out, we have worked with Eximbank to harmonize our export financing program.

Chairwoman MEYERS. All right.

Ms. SCLATER. We have simplified our loan procedures and worked very carefully on that.

Chairwoman MEYERS. All right. Thank you very much for running through all of those programs with me.

Our first questioner will be Mr. Wamp.

Mr. WAMP. Thank you, Madam Chairman.

I have two questions. One is, we had former SBA administrators in here several weeks ago, and they suggested that the SBDC Program could actually be devolved to the States, and I would like your commentary on what the liabilities are of that proposal as well as any strengths you think may exist with that proposal.

Ms. RYAN. I didn't hear their exact proposal, but I'll answer it in a couple of ways, and then Johnnie can elaborate.

We work very hard in concert with the States, and so when they say devolve it to the States presumably they might mean for SBA to get out of it altogether. We are looking for ways to get our system more in concert with the States because we feel that all our program should be part of any State's economic development delivery system. But we have also been working really hard as an agency to integrate the SBDC's better with other SBA Programs.

So, right now it would be very damaging to us to go down that road and totally turn the SBDC Program over to the States or local governments because it is one of the ways we are getting a lot of operating efficiency. I know it might seem sometimes like it is confusing, but really the SBDC system is a major delivery system, and it is a matter for us to decide what it is we want it to deliver and for the States and the locals to drive that agenda. For example, the SBDC's now are offering all kinds of things relating to our loan programs, and we could never reach all the businesses with the information that we want to if we don't have the SBDC's as our partners.

So, if a proposal was going to move forward to move the program to the States, I would hope the Federal Government would at least try to keep the States accountable for tying all the programs together. I think that is the biggest thing. I worked in local economic development and am trying hard to do something while I'm here to end the fragmentation which exists because it is quite bewildering to the person on the street.

Do you want to add anything to that?

Ms. ALBERTSON. Yes, I would like to use an example. The SBDC's are already working very closely with the States and are part of the States' economic development agenda, and I was in Kansas last week, not in preparation for this hearing, but for a meeting with the Secretary of Commerce, Gary Shearer, and the governor, and some major State legislators. The meeting was to help them fully understand the utilization of the SBDC by the State—to be sure that the State understands that the SBDC is to be tied into delivering, the economic development agenda of the State.

So, I think the States already have utilized the SBDC's this way. For those SBDC's that are not State led, which are the majority of them, the States have the best of both worlds; they have the utilization of the SBDC; they can work with them; they do in most instances contribute to their funding. To hand the SBDC Program to

the States would cost the States and wouldn't really serve any particular purpose, in my view.

Mr. WAMP. Thank you.

My second question is, when I got here I was kind of surprised to find out that women-owned businesses were not really classified as minority-owned businesses, and I know that we have had a whole section on 8(a) contracts, which is not today, and I don't want to get off on that, but I just wonder from our perspective, particularly those of you who are involved in women-owned businesses, do you think that women-owned business are getting a fair shake right now compared to other, quote, minority-owned businesses?

Ms. MYERS. Absolutely not. Specifically, if you look at the procurement pool, women today are getting less than 2 percent of the whole procurement pie; 15 years ago we were getting .2, which was when my office was established during the Carter administration.

If you look at what is happening with women in access to capital, we know that 70 percent of women are using credit cards and personal resources to start their businesses and expand their businesses. So, this explosion with women entrepreneurs is incredible, we are certainly still having our problems, which include procurement, access to capital, and that is why our technical assistance centers are so important to deal with the unique needs that women entrepreneurs have.

Mr. FLAKE. Will the gentleman yield?

Mr. WAMP. Sure.

Mr. FLAKE. Isn't it also a fact that minorities also get less than 2 percent of the contracts?

Ms. MYERS. I don't know exactly what the—

Mr. FLAKE. It is a fact. It is 1.2 to 1.3 percent. So, that we don't get into a battle here of contrasting them in a way that allows for collision, the reality is that minorities too get less than 2 percent of the contracts. So, neither group is getting its fair share, and I think the record should show that.

Thank you very much. I yield back.

Mr. WAMP. Regaining my time, I didn't want to get into that either as well.

I just want to point out that I think women-owned businesses aren't getting their fair share, was really the point I wanted to make, not getting back into an issue that we have spent a lot of time on prior to that, and I will yield back the balance of my time.

Mr. FLAKE. If you will yield, the only point I'm making is, neither group is getting their fair share.

Chairwoman MEYERS. Right.

Thank you, Mr. Wamp.

Mr. Peterson.

Mr. PETERSON. Thank you, Madam Chairwoman.

Something that alarms me with the whole testimony is that we are talking numbers. I don't think anyone has said anything about quality here, and there has to be a balance, and that leads me to my real concern, and that is the zero-budgeting of the SBI Program.

We in America have become very, very interested in instant gratification, and if we don't see some instant miraculous return for

our investment then we are going to dump that. This zeroing out of the SBI tells me that we are ready to dump something because we don't want to wait, and I note that we are dealing in numbers here again. You said 6,000 SBI clients versus 350,000 in the SCORE Program as an example.

Nobody has said anything about the quality here. No one else spoke to the fact that you are not just talking clients in SBI, you are talking all of these students that are involved in this program that are ultimately clients themselves as the new business leaders of America.

I think it is very, very shortsighted for us to have SBA take and zero out a very small program—\$3 million or whatever it is. I can't imagine that you can't absorb that across the board in some fashion in SBA. I think it is irresponsible, and I would just like to have your comments on that.

Ms. RYAN. As I mentioned, it was a really difficult decision for us, and the program obviously is of very good value. We are very concerned about quality across the board, and we made a major investment, for example, in terms of training our SCORE counselors. We are working very hard on a counselor certification effort in the SBDC realm as well, and I couldn't agree with you more that quality is the thing that we need to focus on more.

We did mention the numbers of businesses that are served by SBI, and it doesn't serve the big numbers. The other issue though, and I think maybe it is more important, is, we are really trying hard to make sure that we have a way to address the very different needs that businesses have, and we feel like we have to look at all of this in a declining resource environment. I think we are kidding ourselves if we don't acknowledge that.

I mean we are cutting everything. We are an agency has been cutting employees and programs. So, we feel that while SBI is very worthwhile, our other delivery systems can handle those clients. We have paid professionals that work in the SBDC Program, and we have \$74 million appropriated for that program, and the States match it. The quality is excellent, and we pay a very small amount of money for our SCORE Program, but we reach huge numbers of businesses, and those SCORE counselors are people who have years of service in business.

Mr. PETERSON. All right. I understand, and I understand where you are coming from, and I expected the answer. What I am afraid of is that you are working this as an exclusive—because of this one I have got to have this one, or I have got to get rid of this in order to keep that. I disagree with that. You are not dealing with the same kinds of numbers, you have a very small amount of money invested in the SBI, and there are a lot of tangential returns to that that I don't think have been measured in your yardstick in the process of making this decision. I would only cite the fact that with the marriage and with the connections with various universities throughout the country you get instantaneous feedback, intelligence, if you will, as to what is happening in the community, not only in the clients that you deal with but within academia as they approach new techniques, new accounting processes, all sorts of detail out there in the business community that you can't get really anywhere else except by accident.

This way it is an organized return, it is a validation of some of the things that you have already done in your policy work. Therefore, I really ask you seriously to go back and carry the message that some of us are very deeply concerned with the value aspects, the quality aspects, and the long-term return aspects that are associated with the SBI Program and not make it a mutually exclusive issue when you are looking at the budget this year.

So, I respect your concern for the tight budget constraints within which you are operating. No one in the Congress can escape that, but at the same time we have to make smart decisions, not just easy ones. I could look across the board of SBA and suggest that maybe there are \$3 million out there that can be picked up to keep this program alive. I believe it is something of value.

I think that it is something that we as a committee need to look at, Madam Chairwoman, and suggest perhaps whether or not this zeroing out is a good idea. I thank you for the time.

Mr. POSHARD. Madam Chairman.

Chairwoman MEYERS. Yes.

Mr. POSHARD. Unfortunately, I have three meetings going on at the same time. May I ask unanimous consent to submit an opening statement for the record.

Chairwoman MEYERS. Yes.

Mr. POSHARD. I'll try to get back.

[Mr. Poshard's statement may be found in the appendix.]

Chairwoman MEYERS. Thank you, Mr. Poshard. I wonder if I could ask the committee's indulgence if we could—if someone has a question they specifically want to ask right now, I'll recognize them. Otherwise, I would like to go to the next panel, because we have people who have traveled a long way, and I would ask Ms. Ryan and the others at the table if you will be able to stay for questions.

Ms. RYAN. Sure.

Chairwoman MEYERS. All right. Is that acceptable? I'm sorry about this, but when votes intervene, and we didn't get started until about 10 after the hour, and I just don't want to miss any of the people who have traveled some distance to be with us today.

Chairwoman MEYERS. If Mr. Alexander Balc will come to the left of the table, and then Mr. Duggan, Mr. Lee Borland, Mr. Gregg Poorman, Ms. Amy DeLouise—Mrs. Ehlo is not with us today. She has not arrived yet at any rate.

I think we are organized. Thank you.

Our first witness is Mr. Alexander Balc.

**TESTIMONY OF ALEXANDER BALC, PRESIDENT AND OWNER,
C.S. JOHNSON COMPANY, CHAMPAIGN, ILLINOIS**

Mr. BALC. Chairwoman Myers and committee members, I appreciate this privilege of participating with you today in these hearings, and, sensing the constraints on time that you have, I would like to get to a remark that you made earlier, Madam Chairman, and that was the programs that the Federal Government has need to show a return on investment, and I believe our participation in the Export Working Capital Program of the SBA does exactly what you referred to.

Am I correct to assume that everyone has a copy of my—

Chairwoman MEYERS. Yes.

Mr. BALC. Then I would like you please to turn with me to page 7, and we will follow through these three tables.

C.S. Johnson Company is a company that designs, engineers, and produces concrete batch plants, and we compete for 90 percent of our business in the international marketplace. We currently have about \$10 million of backlog, signed contracts in the countries of China and India, and we have just delivered two plants, one to Canada and one to Panama.

We have come through some very difficult economic times, and a year ago at this time we had about \$400,000 on our backlog, but my partner and I had invested heavily in developing the international marketplace, and by September we were successful in landing the initial contract for which we applied for this Export Working Capital Program. That contract was for \$3.4 million for a dam in the People's Republic of China, the Xiaolangdi Dam the Yellow River.

We applied to the Eximbank. We weren't granted that application. We persisted in the manufacturing process, at a great sacrifice to us, but we came up in January about \$700,000 short in funds. Our consultant and others recommended that we work with the Export Assistance Office in Chicago with the SBA Program. We were granted an \$800,000 guarantee.

No funds from the SBA were involved. The only position the SBA took was to guarantee that the lender, if we defaulted, would be paid. No money from the SBA came into our company. We worked with a bank. The bank was fully collateralized on this loan because the contracts that we were working with were backed up with letters of credit, irrevocable letters of credit, and we were allowed partial payment for shipments, so there was no way in which there would be jeopardy.

Getting this guarantee from the SBA, in the vernacular, saved our cookies, and I am not saying we would have died without it, but I'll tell you something, when you are in there day to day, sweating it out, as these folks can tell you, you get that kind of breath of encouragement and support, and it changes the way you live. We were in the process of delivering those plants, taking down and drawing the letters of credit.

But let me show you. If you turn to page 7 in your report, Table 1, because of the SBA guarantee we have been able to increase our employment from 37 people in August of 1994 to 64 people today; our payrolls have increased, as you will see on table 2, by over \$1 million; so we have added 27 people, 73 percent growth in personnel, we have added over \$1 million in payroll, and with the previous cuts in payroll, our payroll growth has been 129 percent.

Table 3, though, shows you what that means to the Federal Government. In 1994 our employees paid Federal taxes of a little less than \$120,000, FICA of about \$150,000, and, as I mentioned, because of the strained economic conditions of our company, we paid no Federal taxes.

This year, we estimate that our employees will, at least, pay \$257,000, \$304,000 in FICA, and our corporate taxes will be somewhere in the neighborhood of \$600,000. This amounts to a payments increase out of our company of about \$890,000, a 332 per-

cent increase in payments, and I'm sure that the cost to the SBA and the Federal Government for processing that guarantee does not come anywhere near \$892,000. This is because we were able to get the guarantee from the SBA.

Let me talk a little bit about the people who we dealt with. I have dealt with other agencies in the Government in the past, including the Eximbank. The people I have dealt with in the SBA are far and above in quality, performance, efficiency, and a standard of excellence than anyone I have ever dealt with before.

Our primary contact was an individual by the name of Mary Joyce in Chicago, and through her energy and efforts we had a 2-day turnaround from the completion of application of loan until the loan committee granted preliminary approval, or preliminary commitment. Based on that approval, our bank granted us a \$350,000 interim loan which would be then wrapped into the guarantee, and that is what got us off the ground and rolling.

We today have proposals out for better than \$15 million in nine countries, and I know when you talk about billions of dollars and a billion-dollar and trillion-dollar setting it may not seem like much, but I come from Illinois, and Everett McKinley Dirksen, who was at one time our Senator, he used to say, "A million dollars here and a million dollars there, pretty soon you are talking about big money."

For us this is big money, and I think it adequately and amply demonstrates that without putting any money up front other than whatever it costs to process our application, the Federal Government now has an incremental return on no investment of about \$90,000 a year.

Now where does this money come from? Ninety percent of our business is international. This money is coming from China, Canada, India, and Germany. We are dealing in the international marketplace, competing, and successfully competing, against multibillion-dollar companies, and these funds are coming into our country. We are importing dollars in exchange for exported hardware. These are new dollars into our economy, new dollars into our Federal coffers, and that is because the SBA stepped up and supported us where the Eximbank wouldn't.

I would just like to kind of wrap up with a couple of recommendations. I have two recommendations. You were talking earlier about the numbers of programs, and this is a cooperative program, as I understand, between the Eximbank and the SBA. My first recommendation is that there is a lot of talk about seamlessness between these two agencies in this program. I find that seamlessness is in resource only, it is not in attitude, and I would encourage you all to bring that perspective, the seamlessness of perspective, to these programs, because it is difficult for a small business person, when you are dealing with two different sets of rules and supposedly with one entity, to know how to make your way.

My second recommendation is that you put more of an entrepreneurial hat on than a banker's hat on when you deal with these programs. In most cases, if a small business person can qualify for a loan under the strictures that we see in some of the other programs, we don't need the loan, we will have sufficient resource.

We need to bring that entrepreneurial spirit that says there has to be a risk factor here, there has to be a way to look at small business as an asset that needs to be cultivated, and that goes, in my judgment, a long way to saying that has been my experience and our company's experience with the SBA. They put their entrepreneurial hat on, and so we appreciate that.

[Mr. Balc's statement may be found in the appendix.]

Chairwoman MEYERS. Thank you, Mr. Balc. That is extremely impressive testimony, and thank you for being here today from Illinois.

Our next witness is Mr. Marty Duggan, and he is with the Small Business Exporters Association of Annandale, Virginia, and we know Marty well of course, and so proceed.

TESTIMONY OF E. MARTIN DUGGAN, SMALL BUSINESS EXPORTERS ASSOCIATION, ANNANDALE, VIRGINIA

Mr. DUGGAN. Thank you, Madam Chairman, members of the committee, for this opportunity to appear before this committee to present a brief overview of my association's views on the International Trade Program of the Small Business Administration.

I would like to just divert for a second in the spirit of the times of year here to say that for each petal on the Irish shamrock I wish to bring your way good health, good luck, and happiness for each and every day to all here.

Chairwoman MEYERS. Thank you very much. We appreciate that thought.

Could I ask you all as you are testifying, we will start the lights, and they will be green, and when the light goes red please try to wrap up as soon as you can.

Proceed, Marty. Thanks for the nice thought.

Mr. DUGGAN. Thank you, Madam Chairman.

During the past 5 years the Small Business Exporters Association has been serving its members, we have had an opportunity to interact with and to evaluate the programs of SBA at close range.

From the beginning of this period it was obvious that the International Trade Office, the office most responsible for exporting, lacked the focus, commitment, training, and experience necessary to assist or even to relate to either aspiring or seasoned exporters. There was little leadership from the top in the trade arena.

Under the circumstances of Mr. Balc's testimony, I think that everything that he said is commendable, and to run into the caliber of people and get the kind of assistance that he has received is really a hallmark.

Mr. Peterson brought up a question of quality, and I think that what happened in his case, Mr. Balc's certainly indicates quality assistance right on through. Unfortunately, I don't think that that is the norm for the United States. If you take a look at—I don't think there are a hundred Mr. Balc's in the country that they have helped in the same way, and this is a big country, and there is a lot of opportunity out there for that kind of assistance.

Under the present administration there has been some recognition of the importance of trade, but the bureaucracy itself is far behind the curve, and I will talk about specific areas of concern.

In the area of promotion the SBA has no recognition overseas, yet it promotes trade missions that clearly could be better coordinated and promoted by the International Trade Administration at the Department of Commerce. My members who have participated in SBA trade missions did not rely on SBA to arrange appointments for foreign buyers, and they were much more successful than companies who did.

In the export finance area, export finance is the most systemic of problems facing exporters, especially those seeking help through SBA. Some of the comments I have heard include: "My banker found the paperwork overwhelming and does not understand the need for it." "I run into red tape and stalling on the part of the local SBA office." "They don't seem to understand their own programs." "The forms and paperwork are more voluminous, complicated, and redundant than small business can cope with." These are typical of comments from many members.

In sheer numbers of transactions, financed export revolving lines of credit expended, or working capital guarantees awarded, SBA simply is not a factor in the financing of our exports or support to our exporters. They have done nothing which would lead one to believe that brighter days are just around the corner. There has never been a commitment to exporting within the financing hierarchy at SBA, and there doesn't seem to be one even now despite the emphasis on exports by the Clinton administration and the Trade Promotion Coordinating Committee.

For the record, SBEA has submitted a copy of its study, "Export Finance: How the U.S. Measures Up." This study compares the export finances of England, France, Germany, and Japan versus the United States. Our study shows that we support roughly 2.9 percent of manufactured goods through Federal programs whereas Germany is at 5.9, England at 11.6, France at 23.4, and Japan at 51.4, and those are 1991 figures. There are other facts contained in the study that prove conclusively that our competitors take exporting much more seriously than we do, and on that note I would like to say that SBA wasn't included in this study because their numbers were so insignificant, these numbers are primarily coming from Eximbank, and not from Eximbank but they are the numbers that we generated.

From the standpoint of export counseling, we find that they are poorly trained, inexperienced, unmotivated employees, this does not give much encouragement that future SBA outreach efforts will be more successful than in the past. The United States doesn't have the time to waste developing Government resources when the private sector, with some public sector involvement, could be the answer.

Madam Chairman and members of the committee, I am a perennial optimist, but I see no immediate cure for the ills of the SBA International Office. Our assessment is that SBA should not have any international role. It does not have and cannot readily obtain the international market knowledge and operating experience needed to increase significantly the number of small business exporters. SBA has little interest in more effectively utilizing the minimum capability it now has, let alone developing greater capability.

SBA does not consider the development of exports, the penetration of emerging markets, nor the increase in the number and role of small business exporters to be an integral and important part of their primary mission. To make it so would require a major restructuring of their mission and the necessary organization to fulfill that mission. Such an effort would be better accomplished by shifting the assistance of current and prospective small business exporters to the Department of Commerce until greater and more effective restructuring can be established.

That ends my testimony at this point. I am happy to answer any questions, Madam Chairman.

Chairwoman MEYERS. Thank you Mr. Duggan. Certainly two different perspectives that we have heard now.

Mr. Lee Borland is president of the Security Press, and I would like to ask Sue Kelly to introduce Mr. Borland.

Mrs. KELLY. Thank you, Madam Chairman, and thank you for calling the committee together this morning to examine the various components of the Small Business Administration's business development programs.

I welcome Mr. Borland to the committee today. He is a New Yorker from Lake Placid and brings 35 years of solid business experience with him to bear on his testimony today. He is the New York State chairman of the National Federation of Independent Businesses and chairman of the New York State Small Business Development Centers Advisory Board.

His testimony is going to focus today on the importance of the SBDC's in the United States and, in particular, as they relate to him. I think we are very fortunate to have him here today, and I welcome you here today to the committee.

Mr. BORLAND. Thank you very much.

Chairwoman MEYERS. Thank you, Mrs. Kelly.

You will hear from all of the bells and everything going off that we have another vote, but I think what we will do, Mr. Borland, is hear from you first and then go vote.

TESTIMONY OF LEE BORLAND, CSP, PRESIDENT, SECURITY PRESS, LAKE PLACID, NEW YORK

Mr. BORLAND. Thank you, Madam Chairman, and thank you very much for the honor of being here today.

I understand that you all have my testimony, and if that is possible, it does not have page numbers on it, but at some point I would like to have you all read it. We will probably refer to a couple of pages as we go.

Let me just first say I'm an entrepreneur. All these hats I wear as chairman of this or chairman of that, my main thrust is an entrepreneur, and I really appreciate that honor. We are the job creator. There is no question that in the United States right now it is small business that is creating jobs, and if you help us through the Small Business Development Centers we can uncork a lot of jobs. That is my word for it, but frankly I think that is what we really need to be thinking of.

You have got in front of you a handout with some red on it on two sides, and if I could just ask you to look at that, and I will

come back to some of the benefits that the chairman in her letter to me asked me to talk about in a few minutes.

If you look at the front where the dollar bills are, on the front it says, "SBDC's spell return on investment." I asked for this because I needed to talk to you about, for each dollar we get together and spend along with the State and the Federal Government, what kind of tax generation does that bring, and if you look under the facts at the bottom you will note that the incremental tax revenues generated by SBDC clients such as me exceed the cost of long-term consulting by over \$7.50 per dollar. So, if you give us a dollar, we will generate in additional taxes \$7.50. There is an investment that I, as a business person, would love to be able to do, and I frankly can't do that. As well as I can do, I might get in the three or four range, but frankly this is an excellent buy for all of us to be involved in.

You may also note on that sheet under facts that we have generated in the last year that is in the chart which is 1992-1993, over 68,000 new jobs, and we generated more than \$3.7 billion in increased sales. In other words, we generated that much activity in the economy with SBDC activity.

On the back you will also note the impact is shown. The average change in sales, the middle block at the bottom indicates that the SBDC businesses grew at twice the rate of a non-SBDC-counseled business, and on the right-hand side on the bottom you will note that we created jobs five times faster than would have been had there not been SBDC consultation.

Now we are talking numbers, and a little while ago we did have the question about quality. Let me tell you that I was in the top 10 of my class, as you may have read in something that you have there, at Syracuse University, in the School of Management some 35 years ago. Frankly, small business was never discussed. When I lost my job after 20 years in the business in a downsizing in 1982, I turned to the opportunity to become an entrepreneur. That is a big E for me today, but I didn't even know what the word meant back then. I didn't know the first thing about starting a business. When they handed me the business planning guide, my counselor started to explain it, I mean I was blue. Here it is. Here it is. Do you think that I could have built this? That was my first business, and I have had four of them, and they have all been successful. I wouldn't be here today and I wouldn't be a success with four businesses having not had the guidance of the Small Business Development Center.

Now I'm from New York, but I could be from Oklahoma, I could be from Colorado, North Carolina, or Kansas. Frankly, there is no question in my mind that this story is being told all over the country. These counselors are experts. They are trained and retrained on a continuing basis.

I had the opportunity last year to visit their 3-day training in New York. In fact, I taught a couple of sessions myself because they want to hear and they do hear from people who are where the rubber meets the road type like me, and I think I am going to be back there this year. Maybe as chairman I will have input to say that, but I would like to go back and give them another session or

two, because they need to stay in touch. There is no question that the quality is there.

Now I can't talk too much about quality, but let me tell you where I think the benefits are going to be for you to be thinking where do we go from here, and Madam Chair asked me in the letters, as I mentioned before, if I would speak to where do you think the program should go, and here's an idea I had. This is all in your testimony, but basically it is this.

There is an axiom out there that says, to sell something to somebody, it is 11 times easier to sell that new item to an existing customer and an existing client versus trying to find a new one. All right, if that is the case, here's my thought. What I suggest we do is go through an expanded emphasis in SBDC's throughout the country and locate those clients that we have already worked with before who are successful, who have got money in the bank, who have been in business 2 to 10 years.

By the way, if we start 10 new businesses right now, only two will be around, approximately one or two, at the end of that 10 years, so that frankly we are talking about people who are the successes, not the failures. Let's go back to them and say, "Hey, what would you like to do with your business in the next 2 years," and if you want to help us uncork new business and new emphasis on the economy and create a lot of jobs, we could take those dollars and we could, frankly, with an increased emphasis on SBDC activity, put the top brightest and best counselors and one or two in each center all over the country, and I think if we went to those existing clients and said, "Would you like to grow your business, and, if so, how," and if there is a fit, I think we could work with them and create a lot of jobs.

So, you can see our impact right now is \$7.50 or greater per dollar spent, and I think with this increased emphasis we could grow a lot of jobs. Just let us go show you. In fact, in New York we would like to just—give us the opportunity, and if you want to do it for a year of two, we will be glad to show you it works.

Thank you very much.

[Mr. Borland's statement may be found in the appendix.]

Chairwoman MEYERS. Thank you very much, Mr. Borland.

We will go vote now. I believe there are two votes. The first will be a 15-minute vote, the second will be a 5-minute vote. So, we will be back here in around 15 to 20 minutes. Five minutes have already passed of that first vote, so we will see you in about 15 minutes.

[Recess.]

Chairwoman MEYERS. I think we will come back to order. All of this will be in the record, and I think we will get some committee members back. Time is the thing around here that always catches up with us, especially when votes intervene, and so our next witness is Mr. Gregg Poorman, POOR MAN Distributors, of Cincinnati, Ohio.

TESTIMONY OF GREGG S. POORMAN, POOR MAN DISTRIBUTORS, CINCINNATI, OHIO

Mr. POORMAN. Thank you, Madam Chairman—chairwoman—excuse me.

Chairwoman MEYERS. It is all right. Either one is correct.

Mr. POORMAN. I'm sure it's happened before right.

But thank you for this opportunity to share with this Small Business Committee how the SBI Program helped launched my new fledgling business. A little background on who I am. I am from Fort Wayne, Indiana, and in 1972 I went to Purdue University to become a professional airline pilot through the U.S. Marine Corps Platoon Leader Corps Program and also to play football for the Boilermaker team at the time. All that changed instantly in 1974 when I sustained a spinal cord injury.

Undaunted and with the support of my parents, friends, and staff at Purdue, I continued my education at the Fort Wayne campus and then returned to the main campus in 1976 to be the first student who used a wheelchair to graduate. Discovering a new challenge is never as difficult as it first appears. I continued my education at Purdue and graduated with an MBA in 1978. Little did I realize at that time that I was entering into a whole new world of discrimination.

I began my professional career with International Harvester in Fort Wayne. After 1 year of meaningless assignments, I got back in touch with Proctor & Gamble and was offered a position in their Industrial Relations Division in Cincinnati, where I worked for 4 years. Unhappy with the safe and secure staff assignments at P&G, I accepted a position in 1983 with the Federal Government as regional office training officer for the Internal Revenue Service, not a very well respected organization, I might add.

After I met Marty, my soon-to-be wife, at a training class in, of all places, St. Paul, Minnesota, I soon realized the IRS had served its purpose and it was time for me to pursue that ultimate goal of the American dream. On August 8, 1988, I joined the world of entrepreneurship when I opened Country Fresh Deli Yoghurt in Cincinnati, and I wish I would have had the business plan that Mary Jean Ryan talked about when I opened that business on ice cream.

But with the help of SBA, I did qualify for one of Cincinnati's first and largest handicap assistance loans. This loan enabled me to open my first prototype franchise store, which was kind of like a blend of TCBY and Subway, in Middletown, Ohio. After 15 months I was forced to close this business, and I lost \$90,000. I was down, but I was certainly not out. The one product that did sell for me was a soft serve dessert that was low-calorie, no fat, no cholesterol, sucrose-free, and it tasted great, so I figured if it sold in Middletown it had to sell somewhere else and I could sell it.

Facing at the time extreme financial difficulties and personal pressure, I decided to become a food service distributor. As I continued to operate my first restaurant to pay the bills, I began my new ventures, like most entrepreneurs do, from that good old kitchen table. Knowing little about that side of food service and not knowing really where to turn, I basically just did it by jumping head first into the business with no plan but just sheer determination and basically out of desperation that this product could help my business as well as help other businesses prosper.

At this time, I might add that my father had a business in Fort Wayne, Poorman Heating and Air Conditioning, that I could have run, but I did want to stay in Cincinnati; it was more accessible,

a higher quality of life, and I wanted to basically make it on my own. To be different, I decided to take advantage of my "unfortunate" last name and make it two words, thus POOR MAN Distributors was born.

One of the best decisions I made early on as an owner of a restaurant was to join the Greater Cincinnati Chamber of Commerce, and this investment paid for itself many times over, when I read about the too good to be true article in the monthly Chamber Vision. The article was written by Charles Matthews, the SBI director at University of Cincinnati College of Business Administration. It offered that catchy word "free" personalized management counseling for seniors and graduate business students to help established business owners like myself set objectives, define actions, and establish controls. All necessary fundamental elements to be successful, and all the things I knew I needed to have but did not take the time to commit to paper because I simply didn't have the time. I was basically just trying to stay alive.

Realizing the immense value of this service and being a real "poor man," I called Dr. Matthews, explained my dilemma, and, as luck would have it, I met the assignment deadline. I realized the secret to my company's success was to simply create a business plan, refer to it often, and revise it accordingly. Dr. Matthews assigned us a team of two students from his Analysis of Small Business class to conduct a 10-week study of my venture, record my history, outline company goals and objectives, and make recommendations for future and sustained growth.

During this time my company was in its infancy, 3 months old with only one product. Within a couple of weeks two students met with Marty and I on a regular basis. They probed and questioned and eventually presented us with a very detailed and on target evaluation of our business.

Based on their recommendations in the business plan, I looked into adding a line of frozen dessert equipment to compliment my self service product and to investigate specific coffee equipment to offset my slow sales during the winter, and they also suggested using U.C. co-op marketing students because they were an inexpensive but good source of labor.

The result, as you can imagine from me being here, was positive. To begin, we hired our first co-op student, who stayed with us for three outstanding terms; we found Coldeelite, the world's largest manufacturer of frozen dessert equipment, who had not had any professional representation before in our area, and to round out our sales throughout the year we became the first full-service espresso distributor in 1992. We have since added other lines of espresso equipment and related products to solidify our position as a leader of specialty food service equipment and products in our tri-State area.

Our company motto is summed up in our mission statement, "Partners In Your Success," much like the SBA's mission, a public-private partnership. We have received numerous awards, and most recently last month Coldeelite awarded us "The Most Improved Distributor" as our 1994 sales tripled from what we were in 1993. We now have seven employees and are ready to purchase a building or construct one. We are going to introduce a new product that we

plan to take internationally, I have already contacted Dr. Matthews' to ask his students to provide valuable input to help launch this exciting new venture a success.

One item that I would like to address is the word quality Mr. Peterson brought up. You cannot compare the numbers cited by Mary Jean Ryan in her testimony that SCORE serves 350,000 customers while SBI reaches only 6,000. To me it is more of an issue of what SBI does, and that is it provides small businesses with quality services.

For example, with the same budget of SBI and SCORE, the total project hours of SBI were 714,000 versus 351,000 for SCORE. The hours per project for SBI were 119 versus 2 for SCORE. Also, the cost of consulting for SBI is \$4.19 per hour versus SCORE at \$8.54 per hour.

I have another challenge for this committee to support. I would like this committee and the SBA target people with disabilities as the next frontier of where small business is headed. We are 43 million strong, and our struggle is intense because our opportunities are very limited. We have much to offer to America. We are the greatest untapped natural resource, and, as you can see in my final closing statements, I have cited some startling statistics that may alarm you. As you will read one of the ways we can reduce the Federal budget is by reducing the \$200 billion we pay in public assistance and \$100 billion in lost wages and taxes per year to these 30 million people with disabilities who are not working but want to work.

Last week on a business trip in Houston a novel thought came to me. If you think you are lost, maybe you haven't gone far enough. We all know that we live in the land of opportunity. After recently returning from Russia with two adopted boys a year and a half ago, I know just how lucky we are to be Americans. My boys now have a fighting chance to be everything and anything they want to be. With your continued support and advancement of the SBI Program, many of our college graduates and entrepreneurs of tomorrow can find their way to success because you have helped them find their way.

Now at this exciting tournament time of the year I want to close with an analogy we're going to see a lot of funding for the SBI Program in the SBA budget is a slam dunk success because it is a classic win-win for all.

Thank you.

[Mr. Poorman's statement may be found in the appendix.]

Chairwoman MEYERS. Thank you very much.

I'll agree with your last paragraph there if you will agree that KU can be in the final four too.

Our next witness is Amy DeLouise, and she is president of Take Aim Productions, Bethesda.

TESTIMONY OF AMY DeLOUISE, PRESIDENT, TAKE AIM PRODUCTIONS, BETHESDA, MARYLAND

Ms. DeLOUISE. Thank you, Madam Chairman, and I would like to thank the committee for allowing me to speak here today and ask that my testimony be entered into the record.

My company is Take Aim Productions Inc., and we are a video, film, and multimedia production company, and the reason I am here today is quite simple. My company is a good example of how well SBA's Office of Women's Business Ownership works. Specifically, I'll speak about an SBA-supported program called the American Women's Economic Development Corporation, or AWED. I would like to start by giving you a quick snapshot of my business when I started it 8 years ago.

In 1986, just a few years out of college, I knew I wanted to be a film and video producer. I worked in public relations and for an independent TV production company and then set out on my own as a freelancer, paying my dues in the industry, which means getting coffee for directors and being a gopher and a grip. Finally I became a script writer after I purchased my first computer with a credit card we have talked about many women business owners doing that. My gross earnings for the first year of my business were \$10,000, and people laugh but I say I ate a lot of Cheerios that year, breakfast, lunch, and dinner.

Four years later I decided I needed to be more than just one person, so I formed Take Aim Productions as a full-service production facility. That means we take a project from the initial idea all the way through creating a script and directing the footage in the field, creating graphics, original music, and a final product.

At that time I was still working out of my apartment with the help of a part-time production assistant, and my gross sales were about \$97,000, although I wasn't breaking even, but I didn't know that until I took an AWED class.

At the beginning of 1992, I knew I had reached a plateau. Like many entrepreneurs in my business, I knew that I was good at making movies. What I wasn't good at was making money. I didn't have the skills to perpetuate a profitable business enterprise.

So, after looking into a number of different business training programs, everything from the thousand-dollars management courses at Harvard to less expensive programs at the SBDC's, I discovered AWED. AWED provided exactly what I needed in an intensive financial management class called The Bucks Start Here. This high-quality course focused key concepts I needed to understand in order to take my business to the next level.

When I walked into my first class, I can tell you, I had no idea what a balance sheet for my company would look like. In fact, we were asked to submit financial statements, and all I could come up with was a tax return. When I left, I could both produce my own balance sheets and analyze them as well as profit and loss statements and cash flow forecasts. I could perform a break-even analysis and project my working capital needs. That is when I figured out I wasn't breaking even.

That class started me on a path that helped me to double the size of my business between 1991 and 1993, and by the end of this fiscal year I expect my gross sales to have almost tripled since I began my involvement with AWED.

One of the first decisions that I made after taking that class was to select a new accountant. She was, in fact, one of the volunteers for the class, and she has been essential to my being able to

produce my own financial statements and plan for capital outlays, handle payroll, and, most importantly, create a business plan.

With the help of my business plan, last year I approached a list of banks that AWED provided me who were supportive of women entrepreneurs. As a result, I was able to secure a \$25,000 line of credit for my business. This line of credit in turn allowed me to bid on and win longer-term contracts with Government agencies and companies in the private sector.

AWED also helped me to think about other ways to market my business, not just the bottom line. I met with an AWED mentor, a local public relations guru, who gave me an hour long session, and we came up with 10 target public relations goals for Take Aim. Within 6 months I had implemented all 10 of her recommendations and was able to get a much larger market share for my business. In fact, we continue to follow many of her strategies, and I check in with this mentor periodically. Most recently Take Aim was featured in an article in the *Washington Post* business section, which I can tell you is good for business—and also for getting lots of resumes. Without AWED's help, I would have had neither the PR plans nor the skills to implement them.

Today, 3 years after taking my first AWED course, Take Aim Productions, Inc., is a healthy and growing business. We are a Maryland corporation, we rent office space in Bethesda, I have two full-time employees, and I have just brought on a third part time. We just opened a new division called Take Aim Research which conducts archival film and photo research. Our first project was Paramount Pictures' "Forrest Gump", which I think people may have heard of, and I anticipate bringing on two more researchers this year. We are working on another feature film and a number of CD-ROM educational productions.

Our projected sales for 1995 are over a quarter of a million dollars, most of which gets churned right back into the economy in the form of salaries and subcontracts and other goods and services that we purchase. That is not a bad return on the initial investment of \$750 that the SBA made in me and my company for the AWED class I took in 1992.

So, what you want to know is why is AWED so successful, and what makes it different from these other programs we have heard about today? I think the answer lies in the very philosophy that is driving this Congress to look at ways to return power to the States. That is that AWED works because it operates on a local level. It has a local office staffed by people who know the area and its specific resources, and it has reached out to other local organizations such as Women in Film and Video of which I am a board member and past president. WIFV and AWED have partnered together to host speakers and events, and in fact this weekend we are offering a seminar in negotiating skills, if anyone is interested.

Another reason AWED works is that it has a holistic approach. You don't just take one class and learn how to build a business, it is a life-long process that involves emotional and personal and financial growth, and AWED offers a full spectrum of programs on every level that help entrepreneurs each step of the way.

AWED also works because its staff are tenacious, and I mean tenacious. Once you approach them, they will not let you go. They

call you, they say, "Can you take another class," "Would you like to meet with this mentor," they try to match you up with other businesses that might be interested in what you have to sell. They are always proactive, and right now they have got me into a Business Development Roundtable (BDR) with eight other women business owners whose gross sales range from \$150,000 to \$1,000,000 a year. It has been a fantastic experience.

AWED also works because they understand their specific market: women entrepreneurs. We have heard a little bit here today about different groups of entrepreneurs and their special needs, and I firmly believe that women entrepreneurs do have distinct needs from other entrepreneurs. We have to understand how to get access to credit; we have to understand how to manage and work with men which sometimes is not easy for both parties to do; and we need guidance on how to do that; we need to learn how to juggle business and family.

For example, this past week in my seminar we spent a number of minutes talking about how to deal with a pregnancy in your business plan. I think that is a pretty unusual thing to talk about in a class, but it really affects a woman-owned business, particularly a small business. It is something that we need to understand how to do.

Finally, I think AWED is a model program because it gives back much more than it costs. AWED's classes and programs are created with the help of 250 community volunteers, myself now included. Many of us started out taking AWED courses and are now giving back our expertise to the next group of entrepreneurs.

So, I think that AWED is a model that works, and it can work in many different settings for many different target markets, providing small business owners with the skills that we need to succeed. The investment is very small compared to the benefits to our economy which, as we all know, is one that is now being driven by the small business engine. So, I think if we are going to reinvent ourselves, which we talk about a lot up here, I think this is one of the best and most affordable ways to do it.

I thank you for your time.

[Ms. DeLouise's statement may be found in the appendix.]

Chairwoman MEYERS. And I thank you very much. This has been wonderful testimony. I wish we could foresee ahead of time when we are going to have one of these mornings when we have frequent votes, but there is no way to tell in advance, and so we will be back in 10 minutes for Sergeant Major Mickey Ehlo and Lavern Hicks.

[Recess.]

Chairwoman MEYERS. If the committee will come to order, our next witness is Sergeant Major Mickey Ehlo, and I would like to move right along if we can because we are going to have another vote in about 10 minutes and then there will be two 15-minute votes in a row, and so I think what we are going to have to do is send you some questions, and if you will respond to them for us we would be very grateful, because I know I would have had a much fuller committee and you would have been asked a lot of questions.

So, Sergeant Major Ehlo.

**TESTIMONY OF SERGEANT MAJOR MICKEY EHLO, USMC,
RETIRED, PHILADELPHIA, PENNSYLVANIA**

Sergeant Major EHLO. Madam Chairman, I am very happy to be here. It is a privilege and an honor, and I'm sure Rutgers and the Veterans Affairs Program are happy that we are represented as well.

With the very short notice I received requesting my appearance here today, I was not able to fully prepare everything I have available that is pertinent to this hearing. I respectfully request that I be permitted to submit additional documentation, for instance in the questions you may ask, for inclusion in the record, and I request that it be received by the committee and published.

Chairwoman MEYERS. Yes, without objection, that will be done.

Sergeant Major EHLO. Thank you very much.

I am that 70-year-old retired Woman Marine Sergeant Major. To me, being retired from the service has never meant being put out to pasture or sitting around waiting to die. I have been actively involved in several veterans organizations for more than 30 years, holding office at the local, State, and national levels. I was elected to these positions because of my demonstrated ability as a leader, administrator, recruiter, and manager of personnel and fiscal resources. All of these skills and more were developed, nurtured, and blossomed while I was on active duty in the Marine Corps. These accomplishments were no easy tasks for a woman during the hey day of the old boy network.

Two years ago I saw an opportunity to do something for myself. I started a company to provide high quality custom-made jewelry for service members. I was convinced that this business would be successful because of the many individuals I had spoken with who decried the poor quality of military jewelry then available to them. I couldn't understand why my brilliant concept was just sputtering around like an old tin Lizzie, and I began to wonder if I would ever generate enough sales to make a profit.

While I knew quite a lot about the business that I wanted to operate, I knew virtually nothing about how to run that business. What I didn't know about business plans, local, State, and Federal regulations, business licenses, and profit margins would fill volumes. There was more than one occasion on which I felt completely overwhelmed and considered quitting while I was still not in bankruptcy. My Marine Corps training would not allow me to do that.

It was during one of those low points when I saw a notice in the Philadelphia Inquirer about the Veterans Entrepreneurial Training Program at the Camden campus of Rutgers University. I applied for the program and was elated when I found out that I was 1 of the 112 accepted out of 500 applicants. I must admit now that I was feeling more than a little anxious at first. Having been out of the school system for more than just a few years, I was certain that everyone would be more savvy than I. Going back into a classroom environment left me as nervous as my granddaughter when she entered kindergarten. I was more than a little concerned that I would look foolish in the eyes of the other students. After all, many of their parents hadn't even been born when I graduated from high school. Nevertheless, I decided that I would stick it out and at least try to learn something that would get my business on track.

The group I was in consisted of veterans of all ages who had served during three different wars. Doctor Patricia Peacock, the director of the Rutgers Small Business Development Center, made us feel welcome during our orientation. Her description of the course made me feel somewhat more confident that I would be able to see it through and helped to put me at ease. It surely made me more comfortable to know that she also had had problems in her own business but managed to correct them and pull through.

Our primary instructor, Jim Uhlik, made us feel like family and set the tone for continuing interaction by all students. As we progressed through the term we found ourselves bringing in little bits of information that we had found during the week and sharing ways to make them strengthen our businesses. Remember, we only met on Saturday morning. During this constant interaction we kept drawing close to each other throughout the course. We still meet for a quarterly luncheon, and we have created our own bimonthly newsletter to perpetuate the networking and support infrastructure.

Throughout the course individuals who were running successful businesses provided us with information on things that had gone wrong as they got started as well as those that had worked. A common theme with them all was that they, like most entrepreneurs, had jumped at an opportunity and launched their businesses without fully thinking it through or producing a business plan. This caused them to falter and almost fail before they sought assistance to keep from going under. The Small Business Development Center provided them with information that enabled them to turn their businesses around and ultimately to become successful. I previously didn't realize the importance of a business plan nor did most of the other students, and this made quite an impression on all of us.

Since attending this course I have become aware of the many mistakes I made that set me up for sure failure from the beginning. I consider myself to be reasonably intelligent and highly motivated to succeed, but I can assure you that MC Jewelry would no longer be around if this program had not been made available to me. The business development skills which I learned will enable me to grow my business to the point that I expect to need to hire additional employees in the future.

The newspapers today are filled with articles about the continued downsizing of corporate America. I have come to believe, as many others do, that our country's economic future will depend on the successful creation of new jobs through the efforts of entrepreneurs rather than through large corporations.

As our technologies get even more complex it is clear that we must be able to react quickly to change. Entrepreneurial businesses are much better suited to this emerging environment due to their flexibility and willingness to take chances that corporations will not because of their focus on the bottom line, and shareholder return. It is this willingness to risk everything to get ahead that has helped fuel some of the greatest expansion and achievements in our country's history. If the Presidents had only been concerned with the bottom line the Louisiana Purchase would never have been made and Alaska would still be part of Russia today. If Edison had

been put off by the prospect of failure, many of the greatest technological advances of this century would be still be waiting to happen.

My point in raising all this is that these Small Business Administration initiatives need to be continued and, if possible, increased. There are few, if any, curriculums for the creation of a business on our college campuses today. Most universities focus on preparing students to enter the corporate world on the bottom rung of someone else's ladder rather than building on their own. For us to meet the challenges and demands of the information age, we must quickly provide the framework within which individuals can set out on their own but have the foundation that will ensure their success.

There are numerous statistics showing that most small businesses fail within the first year. With the advent of the information superhighway, worldwide networks, and global information sharing, there is no reason why the information that could prevent most of these failures can't be made available to those that need it. If the SBA could provide information and guidance over the Internet or through one or two more of the on-line service providers, more startup businesses would be successful.

The Veterans Entrepreneurial Training Program is one model for success that should be duplicated throughout the country to provide new business owners with the tools that they will need to compete in a changing economy. The theme throughout the course was on being well prepared before you took each succeeding step. The development of a detailed business plan, sound bookkeeping practices, and built-in checkpoints for assessing our progress toward our goal were drilled into us throughout the 6 months of our instruction. Without this and other models like it, our small businesses will continue to have the high failure rate that they do today and the United States will compete less successfully in the global economy.

In the Marine Corps we say let's repeat success, not failure, and our program at Rutgers should be put out throughout the country.

Thank you, Madam Chairman.

Chairwoman MEYERS. Thank you very much, Sergeant Major Ehlo, and our final witness is Lavern Hicks, she is president of Goode Computer Service, Inc., from Landover, Maryland.

TESTIMONY OF LAVERN HICKS, PRESIDENT, GOODE COMPUTER SERVICE, INC., LANDOVER, MARYLAND

Ms. HICKS. Good afternoon, Madam Chairman and the members of the committee. I thank you for this opportunity to come before this committee to testify about the benefits of the Small Business Administration and its business development programs.

My company name is Goode Computer Service Inc. We provide computer repair and maintenance services. There is no one connected with the company by the name of Goode, it is run by the Hicks family. It was started in 1989 by my husband, and he wanted to not only provide income for our family but to provide training and income to people of the surrounding community.

I live in Landover, Maryland, and certain parts of Landover, even though we are out near USAIR Arena where all the Bullets Capitol teams are located and you hear all these good things going on, but a few blocks down the street you have got a lot of people

who don't have jobs, and we wanted to be able to provide something for these people. So, we started out. My husband said, "I want to go back into business." He had been in business in South Carolina.

Now there is a saying in South Carolina that says every pot must sit on its own bottom, and in order to do that sometimes that pot needs a little shove, and that is exactly what SCORE does. I could sing praises all day about SBA, but I want to focus on SCORE today.

We first met Joe Casamento back in 1990 at Prince Georges Community College. We learned about SCORE from SBA when we went to pick up a startup kit, and he challenged us as to, number one, why we wanted to be in the business? Now you have got so many people who say I want to start my own business. You have got to know why, and he told me—he told my husband, he said, "Well, why do you want to be in business?" My husband said, "Well, I'm a computer technician." He said, "Well, are you a good one?" He said, "Yes, I'm a good one." He said, "Are you a damn good one?" He said, "Yes, I am a good technician, and I want to be in business for myself." He also challenged us as to, "Who are you going to sell your services to? How much are you going to charge for them?" All of these things people need to know when they go into business.

So, he critiqued us on everything from our business cards to our capability statement. He told us who to go see, what to take them when we got there, what to say when we got there, and we did everything he told us to do, and we would go back every 6 months or so and we would tell him, "Well, this is what we did, and this is what we accomplished," and asked for a grade on our efforts. We wanted to know, "Do you give us an A, B, C, or D?" Then he would tell us what we needed to do. He just carried us straight through, and I think that that is what small businesses need in order to succeed. I mean they are giving us services that are invaluable. We could never pay for them, and we look around us now and we are seeing that the Government is downsizing, they are reducing the social programs, and what are we going to do with these people who are not going to have jobs?

Small business is the hope in a hopeless situation, and I think we really have to take a look at that because large businesses are not doing any hiring, they are downsizing as well, so I think that every dollar that is put to help create a small business and to help them to grow is going to be money back into the Government.

So, I cannot say anything else about SCORE other than I think it is an excellent program; I think more needs to be done for programs like that. I don't want to rattle on because I know your time is limited, and my time—I have been here all morning, and I need to get back to my office, but I think more money needs to be put into the Small Business Administration because I think their programs are very successful.

[Ms. Hicks' statement may be found in the appendix.]

Chairwoman MEYERS. Well, I appreciate your testimony very much. I have not only benefited from all your testimony but I enjoyed it also. So, I'm glad you were here.

I wonder if, Mary Jean, you would do some things for me, if you would make up a kind of chart showing all of the programs and some numbers so we can get some kind of an idea of the structure of all of these business development programs. They all sound like they are important and like they appeal to a certain group of people, but we can't know really—we can't make judgments until we know what we are dealing with here, and so that would be very helpful, and also some numbers in terms of the cost of the various programs.

We will communicate with all of you and will have some questions for you and try not to make it too extensive because I know you are all very busy people, and I appreciate very much your staying with us this morning. It was very beneficial to have you here.

Thank you.

[Whereupon, at 12:52 p.m., the committee was adjourned, subject to the call of the chair.]

APPENDIX

Opening Statement
of
Honorable John J. LaFalce
Concerning
SBA Business Development Programs

I am pleased to participate in these hearings to review the business development programs of the Small Business Administration.

Most people have heard of the Small Business Administration, or SBA, but they generally think of it as being a lending source. Certainly financial assistance is a major component of the small business assistance delivered by the SBA.

Many years ago, however, we learned that simply providing financial assistance to a small business, or to a prospective small business, was not sufficient to facilitate that firm's participation in our economy. Simply stated, money alone won't buy happiness and it won't buy a successful small business.

Education is also necessary. Education on how to keep books and records, how to advertise and market, and even how to determine whether the business is operating at a profit or a loss.

Without this crucial information, providing financial assistance is actually performing a disservice to the borrower as that person will probably not only not make a profit, but will be unable to re-pay the loan from business income and may loose all of his or her personal resources.

Decades ago, we attempted to provide this education, or

management assistance and counseling, primarily through SBA employees. This did not work.

We have now turned to outside sources such as SCORE, Small Business Institutes, Small Business Development Centers and other specialized entities.

As a result of the efforts of these entities, we are learning that with the proper assistance, most small businesses can succeed, not fail.

I believe that continuation of these efforts to educate small business are critical to the survival of the small business community.

I congratulate Chairman Meyers on convening this hearing today and I urge my colleagues on the Committee and in the Congress to pay close attention to the testimony we will receive today.

(bzdvhrng.sta)

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS**

**HEARING
ON
SBA BUSINESS DEVELOPMENT PROGRAMS**

March 16, 1995

Hon. Jan Meyers, Chair

OPENING STATEMENT- MARCH 16

SBA'S BUSINESS DEVELOPMENT PROGRAMS

The Committee will come to order.

The U.S. Small Business Administration offers a variety of programs to offer education, training, and management consulting to its small business clients. This has been in response to a number of studies which indicate that the primary cause of business failure - even greater than lack of capital - is lack of management expertise.

These programs include partnerships such as the Service Corps of Retired Executives, the Small Business Development Centers, and the Small Business Institutes, as well as audience-specific programs such as the Office of International Trade, the Office of Women's Business Ownership, and the Office of Veterans' Affairs. Services are delivered at workshops, seminars, through one-on-one counseling, and through publications and the Agency's electronic bulletin board system.

All of these tools which educate and assist the entrepreneur have a value. However, in these challenging times where every dollar spent must be weighed in the light of return on investment, we need to look closely at each program to determine how to give the best service at the best price. This is our mission today.

We have a number of witnesses today from the SBA and from the business community who will describe the impact and effectiveness of these programs.

At this time, the Chair will recognize the ranking member, Mr. LaFalce, for an opening statement.

Congress of the United States
Washington, DC 20515

**Committee on Small Business
The House of Representatives**

**Opening Remarks
of
The Honorable Glenn Poshard**

March 16, 1995

Madam Chair, thank you for holding today's hearing on the Small Business Administration's (SBA) Development Programs. From Small Business Development Centers to the SCORE program, I believe the SBA has been successful in developing effective programs that educate and assist small business owners and entrepreneurs.

I want to thank the members of today's panel for joining us, and for sharing with the Committee their testimony on the diverse group of SBA Business Development Programs. I especially want to thank Mr. Balc of Champaign, Illinois for joining the Committee here this morning. It is a pleasure to have you here representing the Illinois small business community. As Mr. Balc probably knows, my district has continued to face a high occurrence of unemployment over the last several years, and the opportunities for small business growth and development is important to our local economies.

I want to again thank Chairwoman Meyers for holding this hearing. In closing, I hope every member of this Committee will take a long and hard look at the benefit we get from these programs that cost us very little. When authorization time approaches, let none of us forget the opportunities and direction many of these programs provide our small business owners, entrepreneurs, and communities. Thank you again to all the members of today's panel. I look forward to hearing each of your testimony.

TESTIMONY OF:

ALEXANDER BALC, JR.

CHAIRMAN, C.S. JOHNSON CO.

BEFORE:

THE CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS ADMINISTRATION

ON:

MARCH 16, 1994

CHAIRWOMAN MEYERS
COMMITTEE MEMBERS

Thank you for the privilege of participating in these hearings, and relating to you, the very positive and strong benefit which the Small Business Administration's (SBA) Export Working Capital Program has been to the C.S. Johnson Co.

C.S. JOHNSON COMPANY HISTORY

Established in 1921, C.S. Johnson Co. developed an international reputation as the premier company designing, engineering, and manufacturing concrete batching and mixing plants capable of producing high volume, high quality concrete. C.S. Johnson manufactured equipment has mixed and batched concrete for most of the major hydro-electric dams and navigational lock and dam projects in the United States, beginning with the Hoover Dam and including the Roosevelt Dam, the Bonneville Dam, the Maxwell Lock and Dam, the Markland Lock and Dam, and the Red River Lock and Dam to cite a few among the 155 U.S. dam and lock and dam projects on which C.S. Johnson equipment has worked.

C.S. Johnson Co.'s success and reputation in the United States created its entree into the international market. As an example: Johnson manufactured equipment mixed and batched the concrete for the largest hydro-electric project in the world to date, the Itaipu Dam in Brazil, containing in excess of 15 million cubic meters of concrete.

The present backlog for C.S. Johnson Co. includes contracts for equipment for the Nathpa-Jhakri Dam in India, the Xiaolangdi Dam, and the Three Gorges Dam in The Peoples Republic of China (PRC).

In international competition, we have prevailed against multi-billion dollar companies from Japan, Italy, Germany, and Korea. The timely assistance of the Small Business Administration has helped this small Central Illinois company compete as a major player in the international marketplace.

As you can well appreciate, with major hydro development projects and navigational projects winding down in the U.S., the major thrust for C.S. Johnson is in the international marketplace. This export business for C.S. Johnson creates and sustains jobs for U. S. Citizens with imported dollars.

Over the last 10 years however, C.S. Johnson had a diminished presence in the international marketplace. Fortunately, its reputation remained strong for high quality equipment to produce large volumes of concrete, meeting rigid quality control specifications.

In 1991, my partner Allen Seeland and I, bought the C.S. Johnson business with the goal of establishing a major presence in the international marketplace. We invested heavily and have successfully met our goal.

Unfortunately, the process took twice as long, and was far more costly, than we had planned. As we moved into September of 1994, we were awarded two major contracts: a \$3.4 million contract for two concrete batch plants for the Tunnels for the Xiaolangdi Dam, and a \$2.3 million contract for a concrete batch plant for the Three Gorges Dam in The Peoples Republic of China. Subsequently, we were awarded additional contracts of \$3 million for additional related equipment for the Xiaolangdi Dam.

Our ability to perform on the Xiaolangdi Project has confirmed C.S. Johnson's presence in the international marketplace. We are now successfully competing against some of the largest international companies in our field. Currently we have Proposals out for over \$15 million dollars in projects in 9 countries.

C.S. JOHNSON CO. AND THE S.B.A.

I have been asked to provide the committee with my analysis of the United States Small Business Administration International Trade Program, and what the program has done for the C.S. Johnson Co. I will take the prerogative of taking that request and direction one step further and illustrate, in C.S. Johnson's case, what the program has done for the United States.

C.S. Johnson's participation in the Small Business Administration's "Export Working Capital Program" is an extremely positive experience and virtually life saving for the C.S. Johnson business.

Based upon:

1. The quality of people with whom we have worked,
2. The amazingly short turnaround time (2 days) from completion of application to loan committee approval of guarantee,
3. The fact that without this guarantee it would be virtually impossible for the C.S. Johnson Company to meet it's contractual commitments on a \$3.4 million dollar contract,

we can only conclude that our experience with the Small Business Administration has been a superb experience.

Not meeting our commitments on this contract, would have meant heavy financial penalties, thus severely impairing our ability to achieve accelerated growth in the international marketplace .

The initial contract to which we are referring is a \$3.4 million dollar contract to supply two concrete batching plants and conveying equipment for the Xiaolangdi Dam in Henan Province, China. Our total contracts for this project come to \$6.4 million dollars.

In order to conserve cash and ensure delivery, we were forced to subcontract about \$2.2 million of these contracts. Subcontracting will generate more profit and cash for C.S. Johnson than were we to have done the work ourselves, but will mean about 10 fewer production workers in Champaign, Illinois.

Our subject contract of \$3.4 million dollars, is with the CGIC Joint Venture, a joint venture of Chinese, German, and Italian Contractors, the lead partner being ED. Zublin AG, Duisburg Germany. Zublin is a multi-billion dollar company. Our subject contract is in dollars and is supported by letters of credit.

We began production of the batch plant in October of 1994.

In January of 1995, my partner and I found ourselves with our backs against the wall, facing a cash need of \$700,000.00 to complete production on the Xiaolangdi Project. We now had a backlog of \$12.5 million in signed orders (up from \$400,000.00 in August 1994), \$10.7 million of which is in export business in China and India, but we had run out of resources.

Although we were not granted a "Working Capital Guarantee" by the Export-Import Bank in October of 1994, we pushed forward with this project. Our dedicated team of employees worked long hours, took pay cuts, and never gave up. This perseverance was rewarded in January 1995, when our application for a Small Business Administration guarantee of \$800,000.00 was approved. This approval was based on the same documentation submitted to the Export-Import Bank.

The net result of this guarantee is that our cash flow pump was primed, and we could accelerate rather than curtail production. We will meet our contractual commitments, thereby laying a solid foundation for increased sales and participation in the international marketplace.

Not only has the Small Business Administration Export Working Capital Program been good for C.S. Johnson Co., but in C.S. Johnson's case, it has also been good for the Federal Government.

Let me illustrate using the following data:

TABLE #1

DATA INDICATES ANNUALIZED BASED ON ACTUALS AS OF DATES				
DEPARTMENT	AUGUST 26, 1994		MARCH 10, 1995	
	PAYROLL	EMPLOYEES	PAYROLL	EMPLOYEES
OFFICE	\$498,758.00	21	\$1,059,512.00	35
SHOP	\$483,600.00	16	\$928,739.00	29
TOTALS	\$982,358.00	37	\$1,988,251.00	64

The above table indicates the growth in numbers of people and payrolls as a result of the Xiaolangdi Project and an addition of \$4 million dollars in support projects to be delivered in 1995. Additionally C.S. Johnson Company is in a favorable position in competition for \$15 million in 9 countries. Without the Small Business Administration guarantee, we would not have reached 64 employees and we would not be able to accelerate our growth in export business.

TABLE #2

GROWTH		
TYPE	AMOUNT	PERCENT
PAYROLLS	\$1,005,893.00	129%
EMPLOYEES	27	73%
PAYROLL GROWTH INCLUDES RESTORATION OF 20% PAY CUT.		

The above table summarizes the new growth on an annualized basis, achievable in 1995 because of the Small Business Administration support.

TABLE #3

SUSTAINED & INCREASED PAYMENTS TO THE FEDERAL TREASURY		
	1994	1995
EMPLOYEE FEDERAL TAX	\$118,586.00	257,062.00
FICA	\$180,228.00	\$304,148.00
CORP. TAX	50.00	\$600,000.00(BST)
TOTAL	\$268,814.00	\$1,161,210.00
PAYMENTS INCREASE - \$892,396.00 OR 332%		

The above table shows the increase in payments into the Federal Treasury based on the data in Table #1.

Looking at it in another way, assume that the Federal Government moved from a tertiary position as a guarantor through an intermediary position as a lender to a primary position as an investor and invested, with no recourse, \$600,000.00 in the C. S. Johnson Co. business. Within less than 12 months, in addition to having its original investment returned, the Federal Government would receive a 11.5% return on its investment with a continuing annual stream of income at least as great as the original investment.

The Federal Government is neither in the position of a primary investor nor in the secondary position of a fully collateralized lender, but in a tertiary position of virtually no risk yet realizing an incremental return of \$892,396.00 for it's guarantee. As a matter of fact,

the lender (bank) has virtually no risk in this subject transaction in that the bank has a claim on all the assets of the company, including receivables. My partner and I have personally guaranteed the loan. As you see, the Small Business Administration has been instrumental in sustaining and accelerating new job growth, with income averaging better than \$30,000.00 per person while at the same time increasing federal revenues.

IMPORTED DOLLARS

Let us turn our attention to the sources of funds generated by the Small Business Administration pump priming. None of the funds cited above are "recycled" dollars. The dollars being imported into C.S. Johnson in exchange for C.S. Johnson exports are not dollars that have gone to the international projects through U.S. Government subsidies. They are dollars provided from German, Italian, Canadian, Chinese, and Indian sources - new money into the U.S. economy creating jobs for U.S. citizens, money that would not come into the United States were it not for the Small Business Administration.

RECOMMENDATIONS

In the marketing literature for the U.S. Export Assistance Center, there is discussion about the seamlessness between the Export-Import Bank and the Small Business Administration. My experience is that there is not a seamlessness because perspectives are different. Based on identical data, we were not granted a guarantee by the Export-Import Bank, supposedly on the basis of poor performance in 1993 and 1994. We were granted a guarantee by the Small Business Administration based on the potential and promise of the Xiaolangdi Dam contract coupled with C.S. Johnson's ability to deliver projects of this magnitude in spite of its difficult and straitened circumstances. The difference in approach was explained to me by a consultant in this way:

"The Export-Import Bank evaluated by looking through the rear-view mirror. The Small Business Administration looked through the windshield."

My recommendation is that the seamlessness of resource in the Export Assistance Center be underpinned by a seamlessness of perspective.

My second recommendation is complementary to the first. In creating seamlessness, give more life to your very positive marketing attitude by adding the entrepreneurial mindset to your evaluation process. I am not saying completely abandon the bankers mindset of minimizing risk, but I am recommending that in the process, look upon small business as a national asset to be nurtured and utilized for the national good. I illustrate with this example:

While we were in the process of trying to finance the Xiaolangdi Contract through available federal programs, we were approached by a major Japanese trading company willing to finance the project in exchange for being named as the contracting party in place of C.S. Johnson in another major contract. This company (multi-billion dollar in size) had not successfully established a presence in the Peoples Republic of China, and were they to be perceived as the awardee of a very prestigious contract their presence would be established. Other than not being named as awardee, C.S. Johnson would have performed the contract in all other ways as though it had been awarded the contract. This multi-billion dollar company was willing to do whatever necessary

and legal to gain market access by nominally stepping in as awardee. C.S. Johnson did not consummate that deal. The Small Business Administration guarantee subsequent to this event confirmed the decision we made not to go forward with the participation of the Japanese Company.

The entrepreneurial attitude of assisting United States small business' to gain access and maintain market share, must be part of the seamlessness discussed above.

Thank You again for this opportunity. I trust that the C.S. Johnson Co. has been helpful to you in your deliberations. Thank you for being helpful to the C.S. Johnson Company.

Statement

of

LEE BORLAND

Chairman

**NATIONAL SMALL BUSINESS DEVELOPMENT CENTERS
ADVISORY BOARD**

before the

House Small Business Committee

March 16, 1995

Lee Borland, CSP
43 Saranac Avenue
Lake Placid, NY

Written Testimony to the Small Business Committee

March 16, 1995

Subject: The Need For Maintaining and Expanding Funding for Small Business Development Centers

Why am I here?--To explain why SBDC's are important, and deserve your continuing and expanded support.

First, I would like to say that I am very proud to be a White House Small Business Conference delegate, appointed by my Representative and your colleague, Chairman Gerald Solomon of the House Rules Committee.

Allow me to provide some background that will show you my involvement with the SBDC in my area.

Over ten years ago, I first reached out to the SBDC in Plattsburgh, NY. Times were not unlike now, with big organizations downsizing and getting leaner. I lost my job, with a national organization (in a 50% downsizing), and wanted to stay in Lake Placid. I'd never started a business before. I am a Syracuse University School of Management graduate, top 10% of my class, but literally had no knowledge of small business, OR how to start one.

I found I needed four (4) "Professionals":

1. My Banker who wanted my "business plan"--(what is that?)
2. My CPA who wanted my business plan
3. My Lawyer who wanted my business plan
4. My Business consultant--"Counselor" in the SBDC program.

The process I went through with the SBDC included a personal visit at my home by an SBDC Counselor. I received a "Business Plan Guide" that simply wouldn't have made sense to me then if it weren't for the personal explanation by my SBDC counselor. There were some pre-qualifications of my plan and one-to-one direction on how to proceed. I needed a "road map"--just like for a trip. (Don't leave home without one, and definitely Don't start a business without one!)

There were numerous other contacts--coaching, developing pro formas, doing "cost-benefit analysis"--developing a full business plan (in two tabbed one inch notebooks). Here they are!

Could I have done this without them? NO!

Would I have been successful without them? Maybe, but the statistics would say "probably not." Every small business venture is an undertaking involving chance, risk or danger of uncertain outcomes and unforeseen conditions. I wanted a way to limit that risk as much as possible. For every ten start-ups, like my first company, only one or two are around at the end of ten years. We're over ten years old, and in our 4th successful company.

As you know from my introduction, I've been back to the SBDC several times. In fact, I'm utilizing their services now, working with a counselor in developing a two-to-five-year marketing plan for my publishing company. I've dealt with the SBDC over time because, as an Advisory Board member, I feel it's important to confirm the services I endorse. This experience also allows me to provide informed guidance to the New York SBDC and guarantees that I'm confident in SBDC service delivery - to paraphrase what they say on TV - "I'm also an SBDC client."

Let me tell you some benefits that may not be obvious:

1. The SBDC helps you focus, i.e., concentrate on the "goal achieving" activities in starting a business.
2. SBDCs help you develop a "niche". What you don't want to do is identify an existing business that appears to be a good one, and then go into that exact same business, and simply "split" the available market with them.
3. SBDCs add a degree of realism. They even "role-played" situations with me before I went to my banker for a line-of-credit.
4. SBDCs assist with financing--"Access to capital" is very important, especially for a small business. SBDCs help find the dollar/capital sources, even helping in the completion of a financial package to make the venture "bankable." Lenders simply can't take the time necessary to assist small business owners - so you can understand why loan officers are often very close to their SBDCs.
5. "Follow-up" is easy with SBDC counselors -- "How are we doing?" What can we do better?" For example, when it came time to decide whether to buy, lease, or finance a vehicle, I asked them to assist me. I needed to know the best choice for my business situation and longer-term plans.
6. During this whole process--no fees are charged. Small business people are "do-it-yourselfers." They play "lawyer," they play "accountant" themselves, especially when it costs so much (sometimes \$3 to \$4 per minute!) So the SBDC--at no out-of-pocket cost to the small businessperson is great professional business advice.

I know "fees" are a real topic for consideration at this time. And, as I have noted, your support coupled with state, local and private contributions make the SBDC service a "no cost" service in terms of dollars. This makes sense to me because the dollars saved by SBDC clients become part of the scarce and high risk

venture capital we invest in our new and expanding ventures. The savings help reduce the cost to start a business and puts entrepreneurship within the reach of more Americans.

But to say that we don't "pay" for the service is wrong. SBDC clients like myself invest our time, and "time is money" to me, in working with the SBDC counselor. The key to the SBDC relationship is the proposition: SBDC personnel work "with" us, not "for" us. We buy into each step of the process and learn through the process. This entrepreneurial "education" helps us at future decision points in the business' life by developing the analytical skills we'll need to continue to be successful.

TODAY--SBDCs are even more important than ever:

Big companies are downsizing--think about that:

-fewer employees and fewer jobs available

-less hiring of college graduates than previously

-more and more, employees are not with one company for life. e.g. IBM, Bell System Companies, Kodak, Xerox.

-Universities and colleges, like SUNY, are developing degree courses in Entrepreneurship

Think of the impact of the above:

-more people are uneasy with their present employment

-more people want to start or expand their own businesses

-more emphasis on "entrepreneurship"--in college courses, etc.

-more people are coming to SBDCs for help

Last year I attended the New York SBDC staff "professional development

program" in western New York. The program brought SBDC personnel together for 3 days (traveling in on Sunday and departing in the evening) to train and update all staff. Even though I attended as an Advisory Board member, there was no free ride - I presented two training sessions - and got a first hand look at the commitment of SBDC staff at all levels. I made use of the event to attend some other sessions on "Working with Inventors." "Word Processing in a Windows Environment." and "Giving Great Service to Customers." Similarly, the National Association of SBDCs holds an annual professional development training event attended by select staff nationally. Presenters from this national event have been invited to New York. New York's presenters have been identified for National participation. This National sharing of expertise helps SBDCs duplicate successes across the country very efficiently.

The highlight of the New York training event was an awards dinner where the SBDC recognizes some of its small business clients. These clients are recognized as SBDC "Entrepreneurs-of-the-Year" and the stories of these individuals are often inspirational.

The New York State SBDC's first "Entrepreneur-of-the-Year" was Joanne Swenton of Phoenix (Syracuse), N.Y. When Joanne's husband died suddenly, she had to step in to run the family tool and die business as a single mother of ten (10). When she contacted the SBDC at Onondaga Community College, Mrs. Swenton's business was in jeopardy. She credits her work with SBDC staff on a strategic business plan with improved productivity, increased sales, and critical access to capital. Joanne's accomplishment was ultimately reflected in the new building commemorated in the Phoenix Industrial Park - the fulfillment of the dream she had shared with her children and late husband.

Similar stories occurred this year with:

- Advanced Refractory Technologies of Buffalo, New York, the

"Exporter-of-the-Year," that used SBDC International Trade Center services to export advanced non-oxide ceramic materials to Europe and Japan; or, the

- "Turn-Around Company-of-the-Year", Robert H. Newell Co., a custom tailored shirt manufacturer in (Medina) Rochester, New York in Mr. LaFalce's Congressional district, that used SBDC assistance to package a take-over by two female employees when the firm was scheduled for closure. Robert H. Newell Co. employs 22 people; or,
- "Minority Entrepreneur-of-the-Year," Lowell Hawthone of Golden Crust Bakery, Bronx, New York who used SBDC training assistance to improve productivity and expand operations; or, finally, the
- "Start-up Company-of-the-Year", Donna Maione, Inc. a Manhattan manufacturer and wholesaler of women's sportswear who received SBDC assistance in financing and market expansion.

Not all clients of the SBDC are award winners. Not all clients make investments based on SBDC assistance. The SBDC staff often play the "devil's advocate" role, and take the time to point out problems with business concepts. This service, while not highlighted by the program, plays a critical role for entrepreneurs. By pointing out flawed or marginal business concepts, the program stops future business failures and preserves personal venture funds. This business loss avoidance, while not quantifiable, is a very valuable service to the small business community. Most of these entrepreneurs are not permanently turned-off to small business when they receive this assistance. By preserving their capital,

they can come back with improved ideas, sometimes several times, until they hit upon that successful business concept. The important thing is that the entrepreneur learns from the SBDC experience and continues to evolve without losing everything.

In national terms, this service may be playing a significant role in contributing to the decline in small business failures we have been experiencing. The SBDC program is now counseling and training almost 500,000 entrepreneurs each year. Over time, this annual increase to the small business acumen has become significant and has improved our nation's small business competitiveness.

The SBDC also does a great job in getting critical information into the hands of small business decision makers. I'm sure you share my inability to stay current on all the topics of interest to your offices, even with your legislative staffs. As a small business person, I don't have the professional staffs that are so valuable to you, neither are entrepreneurs trained "information managers." SBDCs provide valuable information whenever they conduct a training session or answer a question over the phone. Right now, as I speak, the SBDCs are working to make sure small business owners and wanna-be entrepreneurs will not miss the entrance ramp for the information superhighway.

My New York experiences are not unique. SBDC services are being delivered in all 50 states, Puerto Rico, the Virgin Islands and here in the Washington, D.C. New York's Advisory Board Vice-Chairman, Greg Frisby, was last year's Chairman of The National SBDC Advisory Board. Greg has confirmed to me that the SBDC program is truly a national network for small business. Although we're especially proud of our accomplishments in New York, I could just as easily be a constituent from Kansas, Colorado, North Carolina, or any other state, the story being told would be the same - **the SBDC program works and is**

worthy of your support.

What more should we be doing?

Expand the program. Let me explain:

It is a known fact that it is 11 times easier to "sell" to an existing customer than to a "new" prospect.

If you follow that axiom, then I feel you will understand where I think the SBDC program should be going.

I recommend that we do the following:

1. Look at other federal programs, agencies or services that need to interact with small business and explore the use of the SBDC as the consistent national service and assistance network. SBDCs have the confidence of the small business community as a non-regulatory source of assistance. Use the SBDC network to support small business firms and have the regulatory agencies support the SBDC in that mission.
2. Existing businesses, that were past SBDC clients--those that have a success record, have been around 2-10 years. Encourage the SBDCs to work with them under a preferred status. These companies, with internal money for expansion, can jump-start the economy and create jobs very quickly. It'll be good for business and people.
3. Encourage and support the SBDCs to take 1-2 counselors in every SBDC location and target existing businesses that have the potential to grow and expand.

That is exactly the process I am testing and going through now. The SBDC

counselor I'm working with is a marketing specialist, and together, we are developing a plan to expand my publishing business to a new level in '95 and '96.

Two questions I would like to anticipate would be: "Are the costs of the services worthwhile?" And, "Could services be better provided by the private sector?" My answers would be "Yes, services are very worthwhile and; No, services could not be better provided by the private sector." The SBDC represents a service that is cost efficient, productive and a proper use of the public sector, especially higher education, to instruct, train and assist small business.

As a firm believer in privatization, I feel well qualified to assert that the SBDC program is able to leverage services from public and private sources that would otherwise not be available, for the betterment of small business. The vast majority of SBDC clients (up to 90%) cannot afford private sector services at the time they contact the SBDCs. The balance of the SBDC's clients, for a variety of reasons, would not utilize the outside expertise they definitely need.

From a purely cost perspective, SBDC services have to be one of the best bargains available to the Federal government. While I'm not sure of the national figures, in my state of New York (usually a higher cost state), the cost per client is approximately \$300 or about \$30/hour of services delivered. Given the resources SBDCs bring to the small business sector, the results they achieve and the training, advocacy, as well as information they deliver, a cost of \$.50 a minute is definitely a bargain.

For the future--you, individually, and Congress in total--are confronting decisions that will set the course for the nation into the 21st century. The SBDC,

I think, is a proven road map to help us chart that course. Small business ownership has always been a key part of the American dream. I believe you share that vision of the American dream and I hope you share my belief that the SBDC program is a key to unlock that dream for countless future Americans.

Thank you.

National Small Business Development Centers**IMPACT**

- SBDC's assisted over 550,000 business owners and entrepreneurs in fiscal year 1994.
- SBDC Consultation helped businesses grow at more than twice the rate of the average U.S. Business. SBDC assisted clients increased sales by more than \$3.7 billion from the previous year.
- SBDC Consultation led to the creation of 68,467 new jobs in client owned firms.
- SBDC Consultation has generated annually \$290 million in new combined state and federal tax revenue through client job and sales growth. For every dollar spent in support of SBDC services, \$2.51 of new tax revenue is accrued to state and federal partners.
- 83% of SBDC clients report satisfaction with the services they received.

Research conducted by Dr. James Chrisman, University of Calgary, in 1994.
All data pertains to clients assisted in 1992.

Statistical Summary and Economic Analysis

Prepared by

The New York State
Small Business Development Center
Central Administration
State University Plaza
Albany, New York 12246

**A Partnership to Meet
the Needs of Small Business
November 1, 1993 - October 31, 1994**



**The New York State
Small Business Development Center**

Points of Interest

- Small Business Development Center assisted small business owners have invested in excess of \$484,641,364 since 1984.
- New York State tax collections from Small Business Development Center clients assisted in 1994 was \$18,997,236.
- New York State tax collections from Small Business Development Center clients assisted since 1988 exceeds \$76 million.
- Federal tax collections from Small Business Development Center clients assisted in 1994 was \$31,113,013.
- Existing businesses receiving five hours or more of counseling by the Small Business Development Center report an average 40% increase in employment after receiving assistance. SBDC clients benefitted greatly relative to the average U.S. business employment growth rate of 0.40%.
- Since 1984, Small Business Development Center clients have created and/or saved over 28,500 New York State jobs.
- 78% of pre-business clients that receive 5 hours or more of SBDC assistance proceeded in establishing new business enterprises.
- Existing businesses receiving five hours or more of counseling by the Small Business Development Center report an average 38% increase in sales after receiving assistance.
- In 1990, the congressionally implemented national program review process confirmed that the New York State Small Business Development Center met or exceeded all program standards and maintained an exemplary quality control process.
- Small Business Development Center clients, entrepreneurs and small business owners, confirm the positive impact of services with consistently high approval ratings.

**NYS/SBDC Economic
Impact Statistics**
January 1, 1993 - December 31, 1993

COUNSELING EVALUATION SUMMARY

Calendar Year 1994

Client responses to survey questions may be summarized by:

- **97 percent** of all clients noted NYS/SBDC services as excellent (40 percent), very good (35 percent), good (16 percent), and fair (6 percent).
- **93 percent** of all inquiries received prompt attention.
- **89 percent** of all clients could not afford private services.
- **94 percent** of all clients would recommend NYS/SBDC services to other small businesses.
- **73 percent** of all clients received specific recommendations to improve their business.

Program to Date

- **95 percent** of all clients noted NYS/SBDC services as excellent, (40 percent), very good (32 percent), good (16 percent), and fair (7 percent).
- **92 percent** of all inquiries received prompt attention.
- **90 percent** of all clients could not afford private services.
- **94 percent** of all clients would recommend NYS/SBDC services to other small businesses.
- **72 percent** of all clients received specific recommendations to improve their business.

**NYS/SBDC Economic
Impact Summary**
July 1, 1984 - October 31, 1994

CLIENT PROJECTS - FUNDING/INVESTMENT BY SECTOR

Private Funding by Major Sources

Commercial Banking	\$134,812,342
Equity	\$89,949,158
Private Investor	\$66,377,730
Personal Collateral	\$31,971,590
Technology License	\$1,251,000
Private Surety Bonding	\$2,160,000
Other	\$37,356,638

Total for Private Sources

\$363,878,458

State Funding by Major Sources

Locally Revolving Loan Fund/IDA	\$24,381,660
Job Development Authority	\$6,555,136
Urban Development Corporation	\$2,573,000
UDC-Minority Revolving Loan Fund	\$1,403,000
New York Business Development Corp.	\$1,498,500
Science and Technology Foundation	\$2,012,000
State Government Contract	\$1,194,608
State Surety Bonding	\$101,500
Employee Skills Grant	\$99,000

Total for State Sources

\$39,818,404

Federal Funding by Major Sources

Voc. Ed. Services Ind. w/Dis. (OVR)	\$3,826,929
Housing and Urban Dev (CDBF/UDAG)	\$3,392,445
Economic Development Administration	\$977,200
Small Business Administration	\$56,211,852
Gov't Procurement	\$14,748,640

Total for Federal Sources

\$79,157,066

TOTAL FOR ALL FUNDING SOURCES

\$482,853,928

Note: Funding/investment relates to direct client investment in small businesses assisted by the SBDC. Individual client survey responses attribute reported impact statistics to SBDC assistance.

**NYS/SBDC Services
and Impact Summary**

November 1, 1993 - October 31, 1994

NEW YORK STATE TAX IMPACT

Summary of Reported Activity (One Year):

Clients Counseled:	12,631
Counseling Hours:	89,390
Client Investments:	\$100,077,619
Total Jobs Created and Saved:	4,700

Summary of Impact Derived (One Year):

Prorated Income from Jobs Created and Saved. ¹⁾	\$154,484,300
State Income Tax Receipts: ²⁾	\$6,213,400
Sales Tax Receipts: ³⁾	\$3,785,145
State Taxes: Direct	\$9,998,545
Multiplier Effect ⁴⁾	1.9
State Tax Impact: Total	\$18,997,236

Footnotes:

- 1) Based upon an Average Private Sector Income of \$32,869 (1993)
- 2) State Income Tax on Average Private Sector Income, (\$1,322) X (4,700) Jobs Saved and Jobs Created
- 3) Sales Tax applied to Net Disposable Income for Consumer Purchases (\$11,505) based upon Average Private Sector Income (\$11,505 X .07 X 4,700)
- 4) All income and tax data provided by the New York State Department of Economic Development

**NYS/SBDC Services
and Impact Summary**
November 1, 1993 - October 31, 1994

FEDERAL TAX IMPACT

Summary of Reported Activity (One Year):

Clients Counseled:	12,631
Counseling Hours:	89,390
Client Investments:	\$100,077,6194
Total Jobs Created and Saved	4,700

Summary of Impact Derived (One Year):

Prorated Income from Jobs Created and Saved ¹⁾	\$154,484,300
Federal Income Tax Receipts ²⁾	\$15,293,800
Federal Sales Tax Receipts ³⁾	\$1,081,470

Federal Taxes: Direct	\$16,375,270
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Multiplier Effect ⁴⁾	1.9
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Federal Tax Impact: Total	\$31,113,013
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Footnotes:

1) Based upon an Average Private Sector Income of \$32,869 (1993)

2) Federal Income Tax on Average Private Sector Income, (\$3,254) X (4,700) Jobs Saved and Jobs Created

3) Federal Sales Tax applied to Net Disposable Income for Consumer Purchases (\$11,505) based upon Average Private Sector Income (\$11,505 X .02 X 4,700)

4) The Multiplier denotes the effect income has on various elements of the economy. The statewide average is estimated to range from 1.9 to 2.1.

** All income and tax data provided by the New York State Department of Economic Development

NYS/SBDC
Historical Statistics
July 1, 1984 - October 31, 1994

COUNSELING AND ECONOMIC IMPACT

Calendar Year	Total Clients counseled	Total Counseling Hours	Total Clients Investments	Total Jobs
1984	236	3,058.0	\$999,000	288
1985	1,192	11,422.0	\$6,552,700	808
1986	1,962	15,030.7	\$13,528,904	1,667
1987	4,069	41,652.2	\$22,951,158	2,011
1988	5,814	56,135.0	\$35,991,009	3,139
1989	7,272	72,506.9	\$48,849,101	2,801
1990	7,570	67,174.6	\$54,643,374	2,897
1991	7,575	70,572.5	\$52,872,669	2,842
1992	10,269	93,537.8	\$65,287,220	3,688
1993	10,456	77,083.5	\$82,460,484	3,992
1994	10,929	75,283.1	\$90,266,330	4,169
Totals	67,344	583,457.2	\$474,401,949	28,302

TRAINING

Calendar Year	# of Events	# of Attendees	Attendee Training Hours	Minority Attendees	Women Attendees
1984	N/A	N/A	N/A	N/A	N/A
1985	24	1,559	11,304	300	617
1986	102	4,855	30,772	684	1,851
1987	164	7,036	49,027	1,026	2,637
1988	307	10,505	75,113	2,005	5,035
1989	308	10,722	62,303	1,718	4,405
1990	276	9,345	55,756	1,648	4,874
1991	300	9,127	60,187	1,808	4,191
1992	338	12,135	64,906	2,280	5,506
1993	429	14,443	78,538	3,143	5,943
1994	305	11,484	64,360	2,499	4,521
Totals	2,553	91,211	552,266	17,111	39,580

**NYS/SBDC Economic
Impact Statistics**
November 1, 1993 - October 31, 1994

ANNUAL INVESTMENT BY SECTOR

Sector	Investment	Percent Amount	Job Impact	Percent
Service	\$32,066,270	35%	1477	34%
Manufacturing	\$24,635,264	27%	939	22%
Retail	\$23,604,076	26%	1375	32%
Wholesale	\$3,875,020	4%	203	5%
Construction	\$6,107,984	6%	226	5%
Agriculture	\$1,493,846	1.7%	55	1%
Other	\$271,306	0.3%	7	1%
Total	\$92,053,766	100%	4,252	100%

INVESTMENT BY SECTOR (Program Inception to October 31, 1994)

Sector	Investment Amount	Percent	Job Impact	Percent
Service	\$152,690,708	32%	10,694	37%
Manufacturing	\$138,068,602	28%	6,833	24%
Retail	\$115,043,880	24%	7,116	25%
Wholesale	\$33,661,722	7%	1,164	4%
Construction	\$21,441,217	4%	1,725	6%
Agriculture	\$7,143,711	1%	365	1%
Other	\$14,864,088	3%	570	2%
Total	\$482,853,928	100%	28,487	100%

NYS/SBDC Economic
Impact Statistics

VETERAN IMPACT (November 1, 1993 - October 31, 1994)

Military Status	Investment Amount	Percent	Job Impact	Percent
Vietnam Veteran	\$2,257,754	45%	191	54%
Non-Vietnam Veteran	\$2,608,462	52%	148	42%
Gulf War Veteran	\$102,500	3%	12	4%
Total	\$4,968,716	100%	367	100%

VETERAN IMPACT (Program Inception to October 31, 1994)

Military Status	Investment Amount	Percent	Job Impact	Percent
Vietnam Veteran	\$39,028,191	59%	2,321	58%
Non-Vietnam Veteran	\$26,169,109	39%	1,596	40%
Gulf War Veteran	\$1,046,000	2%	67	2%
Total	\$66,243,300	100%	3,984	100%

NYS/SBDC Economic
Impact Statistics

IMPACT BY ETHNIC ORIGIN (Program Inception to October 31, 1994)

Ethnic Background	Investment Amount	Percent	Job Impact	Percent
Black	\$28,260,252	42%	2,326	54%
Hispanic	\$8,323,647	12%	698	16%
Asian	\$24,204,145	36%	854	20%
American Indian	\$2,941,119	4%	209	5%
Undetermined Minority	\$3,982,242	6%	251	5%
Total	\$67,711,405	100%	4,338	100%

IMPACT BY GENDER (Program Inception to October 31, 1994)

Ownership Gender	Investment Amount	Percent	Job Impact	Percent
Female	\$82,190,216	17%	7,152	25%
Male	\$324,927,259	67%	16,993	59%
Female/Male Partnership	\$64,366,464	13%	3,750	13%
Male/Male Partnership	\$9,546,041	2%	442	2%
Female/Fem. Partnership	\$1,823,948	1%	200	1%
Total	\$482,853,928	100%	28,537	100%

STATE UNIVERSITY
OF NEW YORK



THE NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER

The New York State Small Business Development Center (NYS/SBDC) provides free individualized management consulting, low-cost business training seminars, workshops, conferences and targeted research in support of small business concerns.

The NYS/SBDC's comprehensive package of entrepreneurial and small business services is offered statewide through a network of higher educationally based service and outreach centers. By assisting new and existing firms, the NYS/SBDC and host institutions contribute to the stability and growth of the State's economy.

COUNSELING FOR 11,305 — The NYS/SBDC provided 76,485 hours of individual management consulting to 11,305 small business owners and entrepreneurs in 1994. New Yorkers seeking help to start, expand or save their business included manufacturers, retailers, neighborhood service providers, global exporters as well as inventors and innovators.

OUTREACH — NYS/SBDC clients access services through the network of thirty-one (31) college and university based full-time locations and additional outreach offices. This network of State University, City University, and private university locations place most New Yorkers within ready access to services.

FUNDING — The NYS/SBDC is supported by funding provided through the partnership of host institutions, the U.S. Small Business Administration and New York State. Since the program's 1984 inception, this partnership has supported service delivery to over 158,000 New Yorkers who have invested over \$484 million in small business ventures throughout the State.

IMPACT — In the most recent survey, 78% of NYS/SBDC clients receiving 5 hours or more of business start-up assistance successfully started their new venture. Clients who were already operating businesses when they came to the NYS/SBDC reported a 38% increase in sales the year after NYS/SBDC counseling was provided.

Client based direct investment in NYS/SBDC assisted ventures in 1994 exceeded \$92 million. The State tax impact, resulting from jobs created and/or saved by assisted clients, was in excess of \$14 million.

TRAINING FOR 91,434 — In 1994, the NYS/SBDC sponsored 317 seminars and workshops that were attended by over 11,743 people. 64,360 training hours were provided to entrepreneurs and small business owners in subjects critical to New York State's small business growth. Topics such as: improving manufacturing productivity, day care start-up and success, total quality management, franchising, young entrepreneurship development, agricultural labor management, women and minority business growth, export trade opportunities and accessing government technology in small business applications were offered across the State.

CLIENT FEEDBACK — NYS/SBDC clients are continuously surveyed and report very high satisfaction with program services. High approval ratings have been achieved in critical operational areas that are of greatest concern to service recipients. These positive evaluations include the prompt nature of assistance provided, responsiveness to client needs and the willingness of clients to recommend NYS/SBDC services to other business persons.

CLIENT RECOGNITION — Linda Dudley, owner of Harlin Jacque Publications of Queens, N.Y. and Joseph McCoy, Founder and President of Infrared Components Corporation of Utica, N.Y., were honored as the NYS/SBDC Entrepreneurs-of-the-Year. The awards recognize the hard work and perseverance of both individuals in starting their own enterprises. Ms. Dudley is a successful educator, poet and producer of books and tapes for teachers to use to develop writing skills for their students. Infrared Components Corporation is a successful spin-off of the General Electric Company and they specialize in the design, development and manufacturing of cryogenic (low temperature) packages used in sophisticated electronic devices.

WHAT SBDC CLIENTS HAVE TO SAY ABOUT THE SERVICES THEY RECEIVED

"Excellent learning experience. I was completely unaware of all the elements that have to function properly for a business to succeed."

"The SBDC services offered are essential to increase the odds for business success. Strongly recommended to all small businesses."

"You give a man a fish, you feed him for a day - You teach a man to fish, you feed him for life."

"The SBDC did an outstanding job from day one. They helped in all phases of the preparation of the business plan."

"This service was invaluable to me and actually made me 'go for it'."

"My SBDC counselor was extremely attentive, helpful, and respectful of me. I knew absolutely nothing about establishing a business. Her recommendations were practical and to the point; she thought of ways to enhance my public exposure without my requesting it. I can't praise the SBDC enough."

"My business opening on October 4, is truly due to my counselor's guidance, help, information, resources and sense of humor. My experience with the SBDC has been wonderful."

"Excellent service! The SBDC put a great amount of effort to reach the deadline of securing a loan. Wonderful relationship with the counselor. Can't praise the counselor enough. Showed complete concern for us."

"Program is very, very good. Please keep these services available."

"The SBDC is an absolutely vital service for the business community."

"All personnel at SBDC have been extremely helpful with information and guidance. I look forward to an ongoing relationship with this office."

"It was wonderful to have someone to consult with."

"I value SBDC services as a very important source of information for planning, starting and developing a small business."

"Every time I've needed info I was able to get answers at the SBDC."

"You have a good thing going, don't stop."

"Extremely happy with assistance received"

"Very pleased with expertise of counselor and staff"

"Excellent service provided by professional people."

"I was very impressed with the counselors knowledge and resources which she had to draw from. Very courteous and helpful."

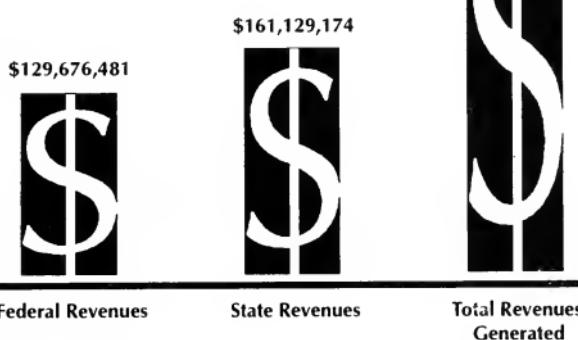
"Please continue to support the SBDC with funding so small businesses can continue to grow and provide jobs."

"Thank you. Thank you. Thank you."



SBDC spells "Return on Investment" for America's small business.

Incremental Tax Revenues Generated by SBDC Clients Who Received Consultation From SBDC During 1992



The Facts

Incremental tax revenues generated by SBDC clients exceeded the cost of long-term consulting by a ratio of 7.52 to 1.00.

SBDC consultation assisted in the generation of more than \$3.7 billion in increased sales for SBDC clients during 1992-1993.

SBDC consultation assisted in the creation of 68,467 new jobs in client-owned firms during 1992-1993.

After considering the total cost of operating the SBDCs in the 47 participating states, the cost of generating these jobs was \$1,692 per job.

Research conducted by Dr. James Chrisman, University of Calgary, in 1994.
Full report is available by calling (402) 595-2387.

(402) 595-2387
 1313 Farnam Street, Suite 132
 Omaha, Nebraska 68182
 Association of
 Small Business
 Development Centers



Ensuring the growth of America's small businesses with 68,467 new jobs and more than \$3.7 billion in increased sales in 1992.

Small Business Development Centers Have

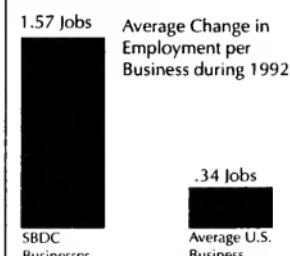
IMPACT

On The United States Economy

Changes in Sales and Employment per Business During 1992:
 SBDC Businesses Compared to the Average U.S. Business



SBDC consultation helped businesses grow at more than twice the rate of the average U.S. business.



SBDC consultation helped businesses create 1.57 jobs for every .34 jobs created by the average U.S. business.

Good morning, Madam Chairman. I'd like to thank the committee for inviting me to speak here today.

My name is Amy DeLouise, and I am President of Take Aim Productions, Inc., a video, film and multimedia production company based in Bethesda, Maryland. The reason I am here today is simple: the success of my company is a good example of how well the Small Business Administration's Office of Women's Business Ownership works. Specifically, I will be speaking about an SBA-supported program called the American Women's Economic Development Corporation, or AWED.

I'd like to start by giving you a snapshot of my business when I started it 8 years ago.

In 1987, just a few years out of college, I knew I wanted to become a film and video producer. After working in public relations and for an independent television production company, I set out on my own as a freelancer. I paid my dues in the industry, working as a production assistant, a gopher, a grip, a scriptwriter. My gross earnings for that year were \$10,000. I ate a lot of Cheerios.

Four years later, I formed Take Aim Productions as a full-service production house. That means we take the project from its initial concept all the way to the final videotape. At that time, I was working out of my apartment with the help of a part-time production assistant. My gross sales for that year (1991) were \$97,000 and I still wasn't breaking even (although it took an AWED course before I was able to figure this out).

At the beginning of 1992, I felt that I had reached a plateau. Like many entrepreneurs in my industry, I knew that I was good at making movies. What I wasn't trained in was making money. I didn't have the skills to perpetuate a profitable business enterprise. After looking into a number of business training programs, everything from the thousand-dollar management courses at Harvard to less expensive programs at the local Small Business Development Centers, I discovered AWED.

AWED provided exactly what I needed in an intensive financial management class called "The Buck Starts Here." The course focused on key concepts I needed to understand in order to take my business to the next level. When I walked into my first class in Spring of 1992, I couldn't tell you what a balance sheet for Take Aim would look like. When I left "The Buck Starts Here," I could both produce and analyze Profit and Loss Statements, Balance Sheets, and Cash Flow Forecasts. I could perform a Breakeven Analysis and project my Working Capital Needs.

That AWED class started me on a path that helped me double the size of my business between 1991 and 1993. By the end of this fiscal year, I expect my gross sales to have almost tripled since I began my involvement with AWED.

One of the first decisions I made after taking the "Buck" course was to select a new accountant. She was, in fact, a volunteer for the class. She has been essential to my being able to produce my own financial statements, plan for capital outlays, handle payroll and create a business plan.

With the help of my business plan, I approached a list of banks supportive of women entrepreneurs which I gained through AWED. As a result, I was able to secure a \$25,000 line of credit for my business.

This line of credit, in turn, allowed me to bid on and win longer-term contracts with government agencies and companies in the private sector.

AWED also help me to turn my attention not only to the bottom line, but to new avenues of marketing. I met with an AWED Mentor, a local public relations guru, for an hour-long session at which we came up with 10 target PR goals for my company. Within 6 months, I had implemented all 10 of her recommendations and was able to get a much larger market share for my business. We continue to follow the PR strategy my mentor and I devised, and most recently Take Aim was featured in an article in the Washington Post Business Section. Without AWED's help, I would have had neither the PR plans nor the skills to implement them.

Today, 3 years after taking my first AWED course, Take Aim Productions, Inc. is a healthy and growing business. We are a Maryland corporation and rent office space in Bethesda. I have two full-time employees and have just brought on a third part-time. We have just opened a new division, Take Aim Research, which conducts archival film and photo research (our first project was "Forrest Gump") and I anticipate bringing on two part-time researchers for this group by the end of the year.

Our anticipated sales for 1995 are a quarter of a million dollars. That's not a bad return on the initial \$750 investment the SBA made in me and my company for the AWED seminar in 1992.

So why is AWED so successful? What makes it different from other programs?

I think the answer lies in the very philosophy that is driving this Congress to look at ways to return power to the states.

AWED works because it operates on a local level. It has a local D.C. office staffed by people who know the area and its resources. It has reached out to other area organizations such as Women In Film and Video, of which I am a Board Member and Past President. WIFV has partnered with AWED to host important speakers for useful presentations. This weekend we are offering a Negotiating Skills seminar at a special discount to AWED participants.

Another reason AWED works is that it has a holistic approach. You don't just take one course and learn how to build a successful business. It's a lifelong process that involves emotional, personal and financial growth. AWED offers a full spectrum of programs that can help every step of the way.

AWED also works because its staff are tenacious. Once you call AWED or go to a program, they won't let you slip away. Unlike any other programs I've participated in, they follow up with you after a class is over and they try to match you with mentors and other programs they think will work for you. Right now, for example, I am participating in AWED's Business Development Roundtable with 8 other women business owners whose gross sales exceed \$150,000 per year. Our facilitator owns a \$14 million dollar a year business, and she guides us as we address techniques for business growth.

AWED works because they also understand their market: women entrepreneurs. While some of our needs are common to all entrepreneurs, women business owners often have unique issues and concerns. We have to learn how to compete for and get access to credit. We have to learn skills to both manage and work with men. We have to learn how to juggle business and family concerns. In my AWED Business Development class this week, for example, we spent some time discussing how a pregnancy can affect your business and how to plan for it. Hearing our facilitator explain the specifics of how she managed a growing company from home while caring for a newborn baby is something I don't think I could have learned in any other setting.

Finally, AWED is a model program because it gives back much more than it costs. AWED's many classes and programs are created with the help of 250 community volunteers--myself included. Many of us started out taking AWED business courses and are now giving back our expertise to the next group of entrepreneurs.

The AWED model is one that works. And it can work in many different settings for many different target markets, providing small business owners with the skills they need to succeed. The investment is small compared to the benefits to our economy—an economy driven by the small business engine.

If we are going to reinvent ourselves, I believe this is one of the best and most affordable ways to do it. Thank you for your time. I would be happy to answer any questions you might have.



Export Finance: How the U.S. Measures Up

A Comparative Study

Prepared by
Small Business Exporters Association

Introduction

With the passage of NAFTA and the completion of the Uruguay Round of the GATT, the focus of America's business is on the future of our global enterprise. These major trade agreements signal a much more open trading system worldwide. Our concern is that the United States is not capable of taking full advantage of this opportunity. Programs and mechanisms must be put in place that will insure not only active participation by US producers, but a virtual revolution devoted to export promotion and enhancement.

Much needs to be done in all areas of education, promotion, policy and, in particular, export finance. It is our hope that this study will encourage debate on a subject that is critical to our nation's long term economic security.

We are indebted to Hartwig Meyerle, our intern from Germany, whose dedication of purpose and genuine commitment to scholarly research created this document. We thank him for preparing the vital detail necessary to back up our case for more efficient, available and competent export assistance.

Export Finance: How the U.S. Measures Up is the second in a series of papers prepared by the Small Business Exporters Association. *Exporting as a National Priority* was published in 1992 to support the creation of a Department of International Trade and the consolidation of the myriad government entities having responsibilities for export-related activities.

As you read this study, we hope you will gain a sense of urgency for becoming involved in the mission of raising our country's level of exporting expertise and "know how". With the enthusiastic support of concerned Americans, we can bring about the changes which must be made, and begin to measure up to our global competition.

*E. Martin Duggan
Executive Director
January, 1994*

Study Outline

Executive Summary

- I. **Exporting - an economic necessity**
- II. **Comparison of export financing programs**
 1. **Involved organizations**
 2. **Scope and profile of programs offered**
 - 2.1 **Responsibilities of involved organizations**
 - 2.2 **Institutional differences in programs**
 - 2.3 **Export credit insurance**
 - 2.4 **Loan guarantees**
 - 2.5 **Loans**
 - 2.6 **Other related programs**
 3. **Level of assistance**
 4. **Costs to the governments**
 - 4.1 **Comparison of cumulative deficits**
 - 4.2 **Comparison of subsidy levels**
 5. **Resources and statutory limits**
 6. **Delivery systems**
 7. **Decision-making bodies**
 8. **Cover policy and restrictions**
 - 8.1 **Targeting of industry sectors**
 - 8.2 **Targeting of export markets**
 9. **Government policy**

III. Evaluation of foreign countries' export financing programs

1. Japan
2. United Kingdom
3. France
4. Germany

IV. Obstacles to export financing through commercial banks**V. Recommendations for export financing programs in the United States**

1. Delivery of programs
2. Organizations
3. Level of assistance and budgetary considerations

VI. Conclusion**Appendices****References**

Objectives

This study presents an assessment of the state of government-supported export financing facilities in the U.S., relative to some of its major competitors: Germany, Japan, France and the UK.

Scope

The subjects of this study are those institutions and programs concerned only with commercial export financing - rather than with export promotion as a whole. Thus, overseas investment facilities, funding of feasibility studies, and the issue of "tied aid" will not be included in this paper.

Methodology

Findings of this study are based on the analysis of a variety of written publications by the respective government agencies or ministries. Reports of the General Accounting Office, a comparative study on export promotion programs of four countries by the German Institute for Economic Research, Berlin, and a publication by the OECD, Paris, were researched. Recent articles in leading business newspapers, magazines and academic journals were reviewed. Interviews, both personal and by phone, were held to obtain first hand information and to clarify uncertainties.

Whenever foreign exchange rates had to be calculated in US dollars, the currency's geometric average exchange rate in the respective year was used. Further, all calculations in this study are entirely based on the figures provided in the export credit insurance agencies' annual reports.

Abbreviations

AKA	Ausfuhrkredit Gesellschaft mbH (Germany)
BFCE	Banque Francaise Du Credit Exterieur (France)
COFACE	Compagnie Francaise d'Assurance pour le Commerce Exterieur (France)
DREE	Directeur des Relations Economiques Exterieures (France)
DTI	Department of Trade and Industry (UK)
ECA	Export Credit Insurance Agency
ECGD	Export Credit Guarantee Department (UK)
EID	Export-Import Insurance Division (Japan)
KfW	Kreditanstalt fuer Wiederaufbau (Germany)
MITI	Ministry for International Trade and Industry (Japan)
NIS	Newly Independent States (former USSR)
TPCC	Trade Promotion Coordinating Committee

Executive Summary

Five billion dollars in exports and potentially 100,000 jobs are unrealized each year only because of inadequate export financing opportunities. However, that's only the tip of the iceberg: if the US were able to raise per capita exports by only \$500, US would still rank last among its major competitors but an estimated 2.5 million new jobs would be generated - not to mention reduction of the trade deficit.

In contrast to their European competitors, the vast majority of US exporters, small and mid-sized companies, cannot rely on a functioning export financing environment, including commercial banks and the US Eximbank. The latter is primarily a result of the first. As a banker with a large European bank in New York stated, "The US is 25 to 30 years behind Europe; it still needs to establish what Europe already has."

Without any doubt, Eximbank's delivery system is in poor shape in comparison to its competitors which can rely on either strong private sector participation, as in Germany, or a sufficient network of government-controlled branch offices, as in France, the UK and Japan. France has proven that a combination of both is possible, as well. The combination of private (export) credit insurance business with government-mandated business has also resulted in tremendous synergy effects in Germany and France: cheaper and faster access to more credit information files is only one of the benefits for exporters.

Even though the US Eximbank offers attractive programs, its outreach is effectively limited to a small community of larger exporters. The fact that most commercial banks are unfamiliar with export financing in general and Eximbank programs in particular, isolates Eximbank from the community of small business exporters, who ironically need its help most urgently.

The organizational structure of government assistance in the US is part of this problem: overlap of programs, poor communication of individual programs to end-users, lack of coordination of assistance, and poor counseling on programs are results of this situation. In countries competing against the US, government-supported export financing has been made a departmental task rather than the subject of several independent government agencies. In the US, there are 29 different government agencies with some level of responsibility for trade finance, causing a bureaucratic stumbling block.

In addition to organizational weaknesses, the conditions of some US programs fall behind those of their competitors. Particularly when it comes to issues causing time-consuming paper work, such as reporting requirements and information to be supplied with an application, US exporters are at a disadvantage in comparison with, for example, their German counterparts.

The less capable the private sector is, the more important government-supported export financing becomes. In Japan, where banks have become similarly as risk-averse as in the US, the government has very impressively tackled this problem: The export financing packages of 51 percent of all Japanese exports are government-supported, in contrast to a mere 2.9 percent in the United States. From 1988 to 1990, Japan almost doubled its share, whereas the US share remained at the same low level. Both countries have problems with their export financing environment, but only Japan seems to have understood the importance of that problem - and has acted accordingly. In France, this percentage is still eight times as high as in the US, in the UK four times and in Germany twice as high as in the US.

Currently, the vast majority of exporters are the victims of the loan approval policies of their banks. Unless there is enough small business volume for individual banks, they are not willing or not able to finance small deals. If, as a result, the mass of exporters cannot fill their orders, the volume of small transactions will not increase either. Which leads us to a classical Catch 22 situation. Eximbank's new, expanded mission must be to break up this vicious circle and help create a viable infrastructure for export financing.

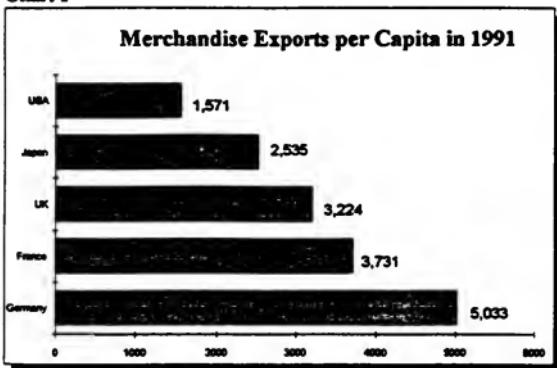
Considering the organizational structure, the relative and absolute level of government assistance in comparison with major competitors, US government agencies have not treated exporting financing, and consequently exporting, as a priority. Other forms of export promotion show similar weaknesses. Foreign governments have used export financing as a tool to proactively implement their foreign economic policies. Clearly, in the US this has not been the case.

For the sake of higher levels of employment as well as the international competitiveness of US companies, the government must assign a higher priority to the complex issue of exporting. Improvement on the financing side would show immediate payoff, thus representing an ideal point for initiating change.

I. Exporting - an economic necessity

The United States clearly lags behind its major competitors in terms of exporting. In 1991, for example, US exports per capita accounted for a mere \$1,570 in contrast to Germany's \$5,000. France and the UK rank next with \$3,700 and \$3,200, respectively. Japan's total was about \$2,500. Exports as a percentage of Gross Domestic Product (GDP) reveal a very similar picture (see Appendix I). Japan's relatively low figures are striking, suggesting that Japan's trade surplus is not purely a result of its exports but rather of a result of its low level of imports.

Chart I



If the US were able to raise its per capita exports by \$500, it would translate into about \$125 billion more in exports. According to the Commerce Department's rule of thumb - each additional \$1 billion in international sales creates on average 20,000 jobs - thus generating 2.5 million

new jobs. In addition, the trade deficit would be wiped out.

The position of the United States - last in both categories - can be interpreted as a question of attitude towards exporting by the vast majority of US corporations. Companies in other countries such as Germany, have had to take a completely different approach in order to succeed economically. The words of a senior executive of a German, medium-sized manufacturing corporation (*Mittelstand*) make the following point:

"If you're small, your front of attack has to be narrow. You'd better focus your business. And if you are focused, you have to find customers for your specialty all over the world in order to recoup your R&D investments."¹

¹ Herman Simon, Lessons from Germany's Mid-size Giants, *Harvard Business Review*, March/April 1992

With domestic US markets experiencing slow growth and increasingly fierce international competition, exporting has, for many small and midsized businesses, become the key to survival in the long run. In fact, there is hardly any product that is not exposed to international competition. In addition to its positive impact on employment and the reduction of the trade deficit, successful exporting contributes to a company's competitiveness in domestic markets, thus securing future employment levels².

Between 1987 and 1992, exports accounted for 44% of the total economic growth in the US. Since 1989, this share has increased to 93 percent - contributing almost all of the job growth in manufacturing industries during the economic slowdown through 1991³. Today, one out of every six manufacturing jobs is directly dependent on exports. These facts are critical to any discussion of export promotion issues.

On the other hand, exporters face a variety of barriers such as inadequate availability of export financing, outdated export controls, inadequate export promotion services, restrictive taxes, product liability and antitrust policies. Such self-imposed obstacles cost the United States an estimated \$30 billion in exports annually. Five billion dollars in international sales⁴ and potentially 100,000 jobs are unrealized only because of inadequate export financing - one of the biggest obstacles for small business exporters.

The lack of export financing is not the only reason why the export level in the US is so low. It is, however, a major obstacle for many corporations who are already engaged in exporting and do not need "how-to-export" assistance. Approximately 100,000 corporations ~or 97 percent of all exporters - fall into this category. These are small and medium-sized exporters who have the greatest potential for export and job growth in the future.

² Michael R. Czinkota, and Masaaki Kotabe, *State Government Promotion of Manufacturing Exports: A Gap Analysis*, Journal of International Business Studies, IV 1992

³ Lester A. Davis, *US Jobs Supported by Merchandise Exports*, US Department of Commerce, quoted in: Report of the Trade Policy Subcouncil to the Competitiveness Policy Council, Washington DC, March 1993

⁴ David J. Richardson, *Sizing Up Export Disincentives*, Institute for International Economics, Washington DC, (to be released in September 1993)

II. Comparison of export financing programs

1. Involved organizations

In France, the United Kingdom, Japan and Germany, there is a single government department responsible for the coordination of export promotion and export finance. These departments (see Appendix II) have responsibilities equivalent to those of the Office of the US Trade Representative and the Commerce Department combined.

The *Export Credit Guarantee Department* and the *Export-Import Insurance Division* are divisions of the British (DTI) and Japanese (MITI) Ministries of Trade, respectively, and provide their services directly to the business community. In France, a private but effectively government-controlled agency, *COFACE*, has the status of an export credit insurance agency (ECA). It is directly responsible to the Ministry of Finance and Economic Affairs. In Germany, a private insurance company (*Hermes*) has been mandated by the Ministry of Economics to administer its export credit insurance programs. For its activities on behalf of the state, *Hermes* is annually reimbursed for its administration costs. The same applies to *COFACE*'s business on behalf of the government. In contrast to *Hermes*, however, *COFACE*'s own account is contractually reinsured by the government which is why this business has also been considered "government-supported" in this study.

In contrast, several independent US government agencies offer export finance - rather than one of them having the responsibility of a department. Japan's Eximbank is, like the US Eximbank, a truly independent agency - but unlike its US counterpart, its objective is to help implement the government's foreign economic policy.

Only one (UK) or two (in Germany, France, Japan) organizations are involved in government-supported export financing and overseas investment programs. The United States, however, has at least four US agencies engaged in some form of nonagricultural export credit insurance or overseas investment services: Eximbank, SBA, OPIC, and AID.

2. Scope and profile of programs offered

2.1 Responsibilities of involved organizations

Each country offers export credit insurance and loan guarantees through its ECA (see above). With the exception of the United Kingdom, all countries also offer direct loans. In Germany, France, and Japan, this is the responsibility of separate, government-owned banks, *KfW*, *BFCE* and *Eximbank of Japan*, respectively. Only the US Eximbank offers all three programs (see Appendix III for an overview) under one roof.

There is no overlap in programs or responsibilities found among these institutions, in contrast to the overlap of programs of the Small Business Administration and Eximbank - not to mention the overlap in the area of export promotion.

Japan's import and third-party trade promoting programs are unique among the countries studied. So are COFACE's market survey and trade fair insurance programs which insure companies against the risk of economic failure of their marketing efforts. COFACE offers a wide range of other services related to export financing through six domestic and two international subsidiaries (e.g., three credit information agencies; a training company which organizes seminars on international trade and export financing; an export factoring company; a company that manages exporters' insurance policies and facilitates access to financing; and a finance company).

2.2 Institutional differences in programs

There are some *differences in the application and approval process* between Hermes and Eximbank. For example, decisions by Hermes are entirely based on the information provided in the exporter's application. The information provided in the application will only be questioned in the case of a claim. At Eximbank this is handled differently, since applications are examined before approval is given. This obviously leads to longer processing times.

If it turns out that data provided was inaccurate, the exporter will not be indemnified by Hermes. In theory this would make the underlying foreign receivables less acceptable as collateral for bank loans. Experience, however, has shown that this is not necessarily the case. In this context, it should be mentioned that German banks assist exporters with the

preparation of applications. This allows the bank an opportunity to evaluate the deal and its potential risks. The banks then pass the applications on to Hermes, where they are processed and approved or disapproved.⁵

Hermes does not explicitly require the track record of an exporter who applies for a discretionary limit on a comprehensive insurance policy. Eximbank does. A discretionary limit would enormously reduce an exporter's time and effort since it would give the exporter the authority to determine a buyer's credit worthiness without having to consult with Eximbank or Hermes respectively. During the lifetime of a comprehensive policy (Eximbank 1 year vs. Hermes 2 years), US exporters are required to submit a monthly listing of all shipments. Hermes requires only a summary by country, type of buyer (public, private) and payment term. For small businesses, this is much simpler and requires less administrative time (see Appendix IV for an overview of institutional differences).

Hermes does not require the exporter to provide financial information (e.g., financial statements, credit reports) on a foreign buyer. This can be done in-house, although Hermes requests that the exporter provide this information in some cases⁶. The same applies to COFACE. Both companies maintain their own credit information network. They have access to the resources of affiliated credit information agencies which can quickly provide credit reports, even on companies in Eastern Europe and other developing countries. COFACE currently administers files on 400,000 foreign corporations, which are accessible on-line to subscribers in France as well as other European countries. These two companies are major players in the European (export) credit insurance market and their business on behalf of the government benefits from private business and its resources. Through the combination of both businesses, synergy effects are obvious.

EID, ECGD and Hermes consider terms of less than two years as *short-term business*. One policy of COFACE even provides coverage for certain goods (e.g. light equipment and consumables) with sales terms of up to three years. In the United States on the contrary, only terms up to 180 or 360 days, depending on the kind of product, are considered short-term. This makes competitors of the US more flexible in their credit terms⁷ and saves them from having to apply for a separate medium-term policy which

⁵ Interview with the chief executive officer of a local German bank

⁶ Dr. Günther Stolzenburg, Dr. Eckardt Moltrecht, *Sicherungsnoeglichkeit durch staatliche Exportkreditversicherung*, Export, Hamburg, Germany, August 1991

would be required by Eximbank for terms exceeding one year.

Only in the UK and the US can the ECAs provide up to 100 percent political risk and commercial *risk cover for loans by banks*. In Japan, such coverage is significantly lower (political: 82.5%; commercial: 80%). In Germany (political: 90-95%; commercial: 85-95%) and France (political: 95%; commercial: 90%) guarantees have similar coverages. If a German bank takes out 95% coverage for both risks, it automatically loses its right of recourse to the exporter. The US and the UK try to keep their commercial banks relatively free of risk, whereas in other countries they are explicitly required to carry a portion of the risk during the entire guarantee period.

The pattern of *coverage for exporters against credit risks* is very similar. Again, US exporters are offered the best coverage conditions (political: 95-100%; commercial: 90-95%). Japan's commercial risk coverage (60-90%) shows a large spread which is intended to encourage exporters to obtain comprehensive coverage under the umbrella of a trade association. However, political risk coverage (95-97.5%) is similarly as high as in the US. Exporters in France and Germany get 90% protection against political risk, whereas German exporters have to bear higher commercial risks (75-85%) than their French (85%) and US competitors.

German, Japanese and French exporters and banks must, at all times during the period covered, carry part of the risk. Therefore, 100% coverage is available for neither insurance nor guarantees.

The US can effectively insure between 42.5⁸ and 49% of the *foreign content*, depending on the program. In Japan, it is generally 50%. Among EC countries, it ranges between 30 and 40%, depending on the size of the project. For supplies from non-EC countries, it can be much less in France (10 to 30%), and is 30% in Germany and the UK. On the other hand, in France it is possible to insure consumables and light equipment with payment terms under 6 months - even if they were manufactured and/or shipped abroad. As a whole, however, EC countries tend to be more restrictive in respect to foreign content coverage.

⁷Note: Coverage is only granted for credit terms that are common in a specific industry, e.g., credit terms of two years for consumables would not be eligible; however, there is room for interpretation

⁸Note: Up to 85 percent of not more than 50 percent foreign content (=42.5 percent) can be covered under guarantees and loans; up to 49 percent of foreign content can be covered under short-term policies

2.3 Export Credit Insurance

Comprehensive insurance policies (see Appendix V) are particularly important for frequent exporters with relatively low value shipments. These policies also reduce paper work for both the exporters and the ECA. In addition, they offer a better spread of risk by including both high and low-risk export markets - which consequently leads to lower premiums. However, Eximbank could still make the whole administrative process a lot simpler and less cumbersome (see 2.2 Institutional differences in programs) for exporters and itself.

In France, exporters are virtually forced to take out comprehensive insurance, because other types are not available for the coverage of short-term export credits. Commercial risk coverage, which COFACE does on its own account, is compulsory under those policies. COFACE and Eximbank offer no scope for the exemption of certain export markets. German exporters, on the contrary, may exclude all OECD⁹ markets. The Japanese EID does not offer such insurance to individual exporters. It relies instead on intermediaries as policy holders (see *umbrella policies*).

In 1992, this type of policy was similarly important for Hermes and the US Eximbank, having accounted for 26% and 27% of new business, respectively. In dollar terms, however, there was a big difference: \$6.3 billion of German exports were insured, in contrast to \$3.4 billion in US exports - almost twice as much. As a result, around 3,400 billion in exports by 790 companies (policy holders) were insured, each with the value of annual shipments below \$6.4 million. Within the same period, COFACE issued 713 comprehensive policies designated for small businesses and 266 designated for larger businesses.

⁹Note: EC member countries are automatically excluded from government-supported coverage due to certain EC directives

Revolving insurance policies are designed to offer coverage for exports on a repetitive basis to a single buyer. Such policies are available only in the US and Germany. In 1992, Hermes covered \$1.4 billion in exports through that program.

The purpose of *umbrella policies* is to increase the outreach to exporters and to reduce the bureaucracy and paperwork connected with applications of individual exporters. Unfortunately, poorly prepared applications frequently occupy too much of Eximbank's resources, according to a TPCC survey¹⁰. Umbrella policies are not common in Germany and France, even though the latter encourages small exporters to form larger entities for the purpose of their export business. The US and Japan, on the contrary, offer such policies. Japan relies heavily on this form of insurance for which the policy holder is an intermediary (e.g., a trade association). So does Eximbank through its City/State program and trade associations. Other implications of the involvement of intermediaries are a lower staff level and associated administrative costs. For example, the Japanese EID has only 160 employees - although its business volume exceeds by far that of other ECAs having much higher staff levels.

Specific insurance policies are designed for one-time deals only. In France, COFACE does not offer such policies for short-term business, whereas in the US, Japan and Germany they are available. In France, this type of policy is tailored to the needs of big export deals. In Germany, the nature of those deals is not necessarily big ticket business: Hermes issued 3,610 such policies for contracts each worth under \$640,000, covering \$430 million in exports (average: \$120 thousand). During 1992¹¹, 5,270 specific policies (all insurance and guarantee authorizations: 1,580) were issued having covered \$17.3 billion (Exim: \$11.5 billion) in exports, including \$10.7 billion in guarantees (Exim \$7.3 billion). This means that the average value of loan guarantees and specific policies by Eximbank was more than twice as high as Hermes'.

¹⁰TPCC Working Group on Trade Finance: *National Export Initiative - Bankers Meetings on Trade*

¹¹Note: Eximbank's fiscal year ends September 30; Hermes: December 31; Exim Japan, EID, ECGD: March 30. In order to allow a comparison of their business, fiscal years ending March 30, 1992, were treated as FY 1991; this applies for EID, Exim Japan and ECGD

The number of low-value authorizations is a helpful measure of an ECA's *small business friendliness*. The comparison shows that Hermes has been much more responsive than Eximbank to the needs of small business exporters. The average value of all small business¹² authorizations (comprehensive and specific policies), is \$168,000 in Germany, whereas the Eximbank equivalent is \$2.1 million. However, the TPCC survey found that financing for deals of \$300,000 or less was in short supply. This indicates a definite weakness on the part of commercial banks, Eximbank or both.

In 1992, there were 1,000 small business authorizations by Eximbank compared with 4,000 by Hermes. Hermes covered \$670 million in very-small-business exports, whereas under Eximbank's more generous definition of small business, \$2.1 billion were covered. If annual foreign sales under \$6.4 million were included in the Hermes figure, an additional 500 contracts worth around \$3 billion would have to be added. COFACE's small business policies - all comprehensive coverage - accounted for only 713. A breakdown by volume was not available.

The *key to small business friendliness* is the private banking community's willingness or capability to fund low-value transactions, ideally by accepting foreign receivables, insured by the government, as collateral, as is the case in Germany. This point deserves more attention and will, therefore, be discussed later (IV. Obstacles to export financing).

On the other hand, Hermes also provided guarantees for contracts exceeding \$64 million (DM100 million) totalling \$4.7 billion. This shows that the interests of small business need not necessarily conflict with those of big business. It also underlines the importance of credit insurance for small and mid-sized companies, whereas guarantees tend to favor large exporters. (For an overview of programs and their characteristics see Appendix VI and VII).

¹²Note: Very small business authorizations by Hermes refer to a value of under \$640 thousand; Eximbank in its 1992 annual report, showed that only 305 out of 999 authorizations had a value below \$500,000. Eximbank includes in these figures the indirect financing to exporters of big ticket goods which are supplied by small businesses; Hermes includes only direct financing. Eximbank figures are therefore, overall, probably overstated.

2.4 Loan guarantees

Loan guarantees were the US Eximbank's main business with nearly 59% of all new commitments in 1992, up from 40% in 1990. At Hermes, too, the share of loan guarantees surged from 14% in 1990 to about 43% in 1992 - largely due to a number of major projects in the NIS. EID's share of guarantees is less than 50%¹³. Since privatization of its short-term business, ECGD has been offering guarantees exclusively. COFACE's business activities are clearly dominated by short- and medium-term insurance business. A breakdown by form of assistance is, however, not available.

A guarantee for a specific project or a one-time deal can be considered as the standard type and is available in each country. This is the only type offered in Germany. Other countries, however, offer more variations. The most common are guarantees for lines of credit, and guarantees for the discount of bills and notes. In all countries the pre-shipment period (working capital) can be covered optionally, except in Germany and France where such cover is not available.

Guarantees for lines of credit are only found in the UK, France and the US. In the United Kingdom and the United States, guarantors for that program are not only domestic banks but also foreign banks which then extend loans to buyers. In the US and the UK, that type of guarantee is designed and used for business of a revolving nature or with multiple buyers. Special working capital loan guarantee programs are found only in the US. COFACE's guarantees are offered only in the form of a comprehensive guarantee under which a bank must insure all its short-term export loans (under three years).

Guarantees for the discount of notes and bills are common in the UK, Japan, the United States and France. In the US and the UK they are issued in the form of a comprehensive guarantee in favor of a bank. In France on the contrary, there are only specific guarantees available.

COFACE also offers guarantees for bond issues, thereby allowing companies to raise money for their exports at cheaper rates (France). This program is geared toward big ticket items.

¹³Note: The exact amount could not be determined as one program can be used as guarantee as well as insurance; the annual report did not provide a breakdown. This program runs at higher levels than the pure insurance program (see Appendix VIII for a breakdown by type of program)

2.5 Loans

Direct loans in the form of buyer credits are clearly dominant in Germany, France and the United States, whereas in Japan they run at the same level as supplier credits. Interestingly, those medium and long-term loans (more than 18 or 24 months) generally require insurance coverage by their country's respective ECA¹⁴. There are two potential benefits: First, a project undergoes double scrutiny, namely by the ECA and the lending institution, which, at least in theory, reduces the risk of a poor decision and the associated costs for taxpayers. Second, it pools the government's risk exposure in a single institution, the ECA.

2.6 Other related programs

The importance of *foreign exchange risk insurance* seems to have declined in the past, mainly because global foreign exchange markets can meet the insurance needs of corporations. In Japan, such insurance is no longer available, in the UK it is limited to the bidding period for a contract, and in Germany it is available only for periods exceeding two years which are beyond the private market's reach. In the US, such policies are insignificant since most deals are quoted in dollars anyway.

In France, on the other hand, currency fluctuation risks have received the most attention, which means insurance is offered for all periods and products. This program is largely subject to COFACE's private business. Through a subsidiary, COFACE is also able to inject capital into a corporation, thereby acquiring a minority stake. The purpose thereby is to strengthen the financial base for a corporation's international development.

Another unique feature of COFACE is the availability of *cost escalation insurance*, which is available for terms exceeding twelve months and where high amounts of money are involved. Support for emerging *local costs* abroad is available in all countries except Germany. *Insurance for bonds* (bid or performance) is also available in Germany, France, Japan and the UK but not in the United States.

¹⁴Note: Eximbank Japan requires only insurance by EID for supplier credits

Overseas investment services (loans and insurance) are common in all countries. In France, around \$870 million in foreign investments were newly insured, up from \$266 in 1991. The UK's insurance of investments overseas accounted only for \$350 million. In Japan it receives the most attention, particularly by Eximbank Japan. In 1991-92, Eximbank Japan committed \$5.2 billion in loans for that purpose, whereas the Overseas Private Investment Corporation (OPIC), an independent US agency concerned with the promotion of overseas investments, did \$3.7 billion in 1992. In terms of outstanding commitments, the difference was even greater: OPIC's \$7.6 billion versus Exim Japan's \$23 billion.

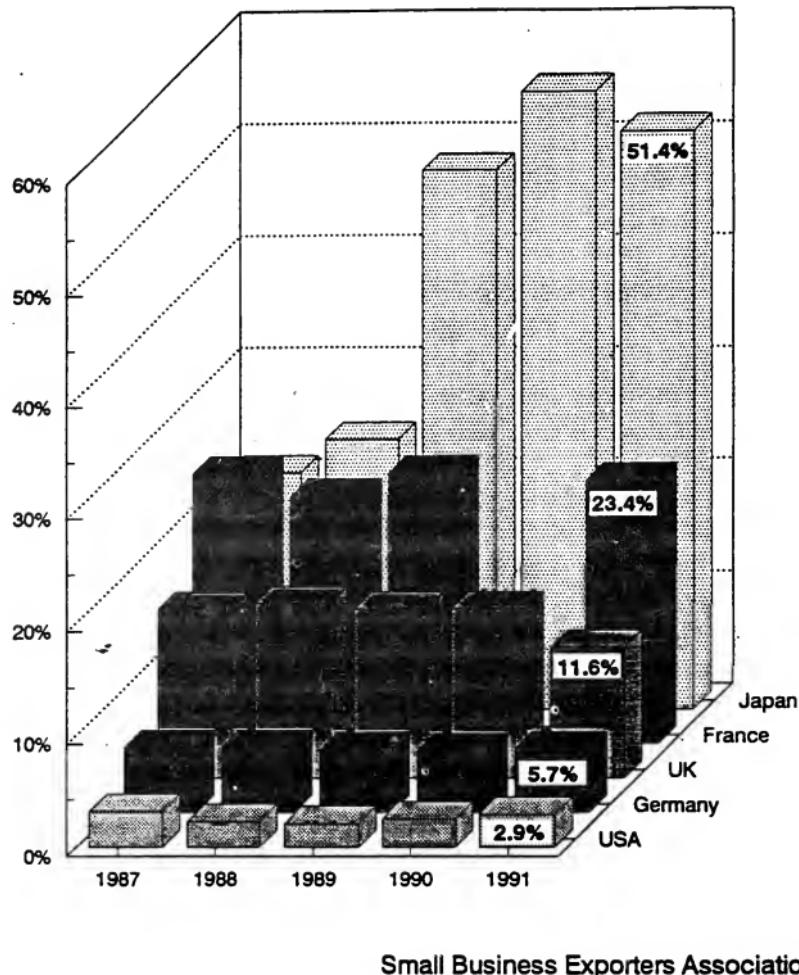
3. Level of Assistance

Japan, France and the United Kingdom tend to run much higher levels of assistance - in relative and dollar terms - than Germany and the United States (see Charts on following pages). Nonetheless, Germany's support in dollars as well as percentage of exports is still twice that of the United States. Although Japan's total exports were only about three quarters of US exports in 1991, Japan supported more than 14 times more exports than the US and almost twice as much as France, the UK and Germany combined. France¹⁵ clearly took the second place and has the lead in Europe.

A goal of every export credit insurance agency must be to maximize the amount of exports which, without government assistance, could not be executed. This basically means that a country's export credit insurance agency has to fill a gap which the private sector in the respective country is not able to fill. However, the nature and size of this gap varies from country to country, and depends on the private sector's ability to deal with the risks associated with exports. In addition to political considerations, the degree of sophistication of a country's export financing infrastructure - commercial banks and insurance companies - determines the task and mission of the ECA.

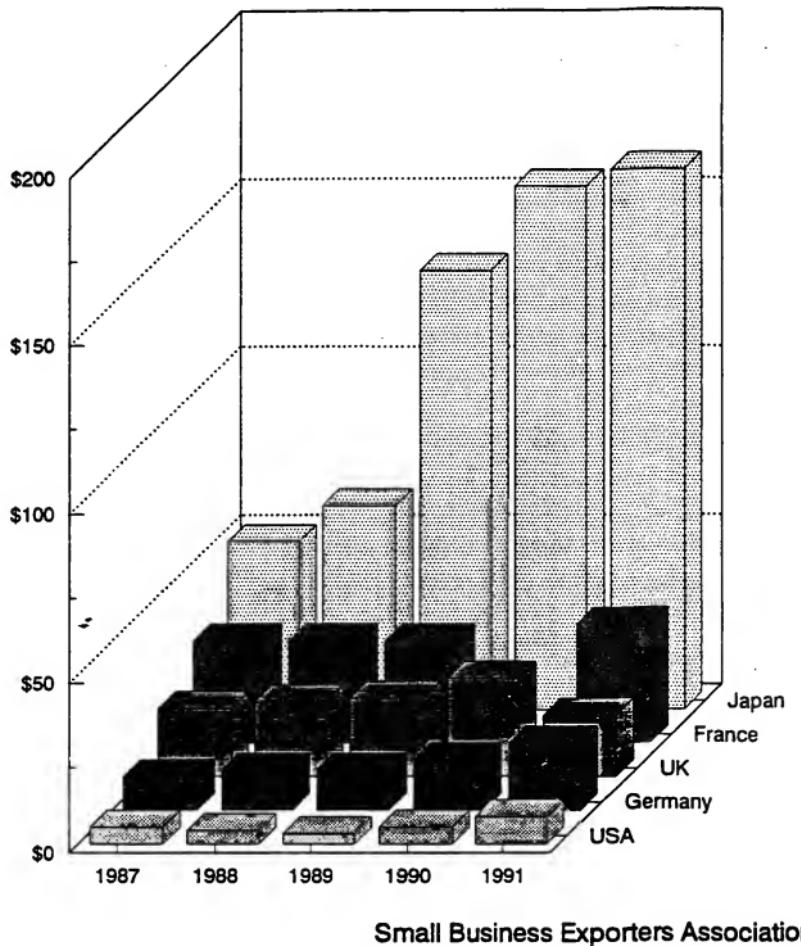
¹⁵Note: It should be noted that COFACE's short-term business is essentially market oriented. However, the fact that the French state offers reinsurance which in effect functions as a safety net. The same applies to ECGD which is still granted reinsurance. COFACE reports the financial result on behalf of the government separately.

Chart II: Government support as % of total exports



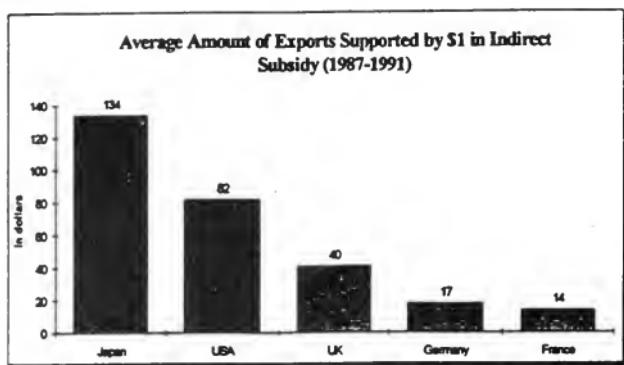
Source: Respective government agencies

Chart III: Government support in billion dollars



Source: Respective government agencies

Chart IV



The level of output (see Chart IV left), i.e. exports supported, in relation to the effective input, i.e. annual (implicit) subsidies¹⁶ (see Chart V below), is a result of that

mission. The amount of exports supported with each dollar input should not be used to draw conclusions about an ECA's efficiency in comparison with its competitors. Such a comparison would have to take the countries' different levels of sophistication and capability of the export financing infrastructure into account.

The output level rather serves as an indicator for the capability of a certain country's export financing infrastructure. Thus, high output levels indicate, in short, a wider private sector gap that has to be filled by an ECA than low output levels indicate. In other words, high levels mean that the private sector requires government support for exports to countries whereas the private sector in other countries does not yet require support.

A five-year comparison (1987-1991) shows that for each dollar the Japanese government spent, it supported on average \$134 dollars in exports. Next to the EID is the US Eximbank with \$82 in supported exports per dollar input. The British ECGD supported only about half of what Eximbank did: \$40. Germany's and France's low output is a reflection of the concentration of its support - and losses - in relatively high risk markets: France could only support about \$14 in foreign sales per dollar, whereas Germany was only slightly higher with \$17.

Again, these numbers do not represent a measure of efficiency for ECAs. The more an

¹⁶Note: The output is not the direct consequence of the input since the input, i.e., the subsidy, is a result of events in the past. The implicit subsidy is calculated as follows: premiums-claims+recoveries; The costs to the governments will be discussed in more detail later.

ECA can focus its resources on relatively high-risk countries, the higher are the losses for a comparably small amount of exports supported. On the other hand, the more exports to relatively low-risk countries an ECA has to support, the larger is the amount of exports supported in comparison with the losses incurred.

Somewhat surprisingly, the private sector in Japan has been even more risk averse than in the US. But Japan supported more than 14 times as much in foreign sales than the US. This suggests that Japan, in light of its assistance and output level, is much more responsive to the needs of its export financing environment, and ultimately its exporters, than the US. The private sectors in Europe, by contrast, required on average much less support for exports to low-risk countries than did their Asian and American competitors.

In addition to an ECA's task to fill gaps of the private sector, political considerations (See Cover Policy and Restrictions) also influence decisions and willingness to take risks and risk loss. This is based on the assumption that maximizing exports, regardless of higher political considerations, is the overriding basis for decisions.

4. Costs to the Governments

All entities analyzed are constituted to work on a self-sustaining basis - in the long term. Until the early 1980s, the ECAs produced either very low deficits or surpluses like Germany's Hermes¹⁷. Since then, ECA deficits have become the rule - not the exception - due to increasing international export credit competition and the debt problems of developing countries.

The cumulative trading deficit since a program's inception and the annual trading deficits are figures published in annual reports. However, due to different accounting standards in the various countries, it is more meaningful to explore the implicit subsidy rate for insurance and guarantees granted by a government. Therefore, it is essential to put the annual premium income, claims paid and recoveries in perspective (later referred to as *implicit subsidy rate*). Since claims paid, recoveries and premium income do not necessarily correspond to the same year in which they occurred - today's claims can be the

¹⁷Dr. Guenter Stolzenburg, and Dr. Eckhardt Moltrecht, *Sicherungsmoeglichkeit durch staatliche Exportkreditversicherung*, Export, Hamburg, August 1991

result of an insurance policy issued four years ago - a comparison over several years should eliminate most of the distorting effects. Further, those figures should be related to the exports supported as well as a country's total exports. The UK's direct subsidies for fixed rate export loans have not been considered; they are direct or explicit subsidies.

4.1 Comparison of cumulative deficits

Eximbank's latest (1992) cumulative deficit would effectively have amounted to \$8.2 billion¹⁸ (please see note) in contrast to the ECGD's \$7.6 billion and Germany's \$7 billion. However, different accounting principles require a closer look. Germany's public sector accounting system does not require provisions for future losses, and COFACE applies insurance principles only to the business on its own account. In fact, the UK and the US as well as Canada are the only countries which require such provisions¹⁹. Without such provisions for future losses on insurance, guarantees and loans, a different picture emerges. The adjusted US cumulative deficit would have been \$4.9 billion, whereas the UK's, due to extremely high provisions for future losses, would have been \$2.4 billion in 1991-92.

A closer examination of the US Eximbank's provisions shows that those for loans run at \$2.7 billion whereas those for insurance and guarantees run at \$517 million, even though the outstanding amounts are only \$8.7 billion in loans and \$30.6 billion in insurance and guarantees. This is because risks associated with loans are, on average, higher than risks associated with insurance and guarantees²⁰.

Through provisions, tomorrow's losses are already partly accounted for in today's financial result. As a result, the annual financial results are less volatile than without provisions and represent more accurately the risk - and finally the prospective costs - inherent in the loan, insurance and guarantee portfolio. However, the bottom line is that the government has to bear the deficit anyway, whether the loss occurs today or some time in the future. British industry, for example, was afraid that the government would be too generous in forgiving a country in default which ultimately would make the losses permanent. The problems

¹⁸Note: excludes \$3,294 billion in appropriations by Congress under the Credit Reform Act; this amount was used to reduce due borrowings at the Federal Financing Bank at the Treasury; the amount shown includes the previous year's accumulated deficit plus the net loss in 1992

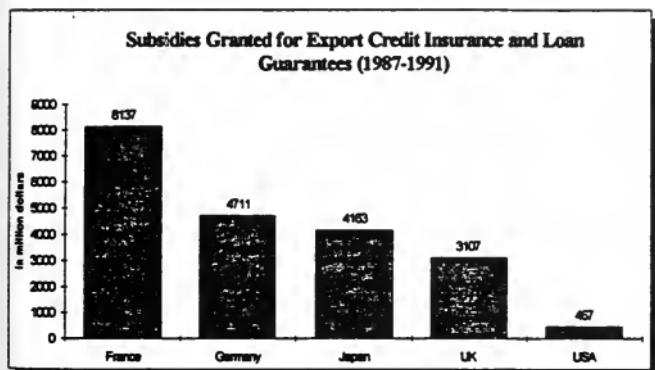
¹⁹Peter Montagnon, *Exporters in anguish at debt provisions*, Financial Times, London, February 5, 1991

²⁰U.S. Eximbank, Annual Report, Washington DC, 1992

with provisions and the visibly higher deficit is that discussions frequently boil down to the point when the deficit figure becomes the critical argument. This gives government departments a certain advantage over independent agencies which are not only struggling for appropriations each year, but also have to justify their existence periodically. For example, if the German government had been required to apply the same provisioning policy for its outstanding commitments as the US Eximbank did for its loan guarantees and insurance policies²¹, it would have had to carry \$1.8 billion in reserves to provide for future losses on its 1992 balance sheet²². But there is nobody else to report to than the parliament whose majority is normally controlled by the government anyway. In the US, on the contrary, export credit insurance is not a departmental matter and Eximbank has a much harder job convincing Congress to increase current support levels or even to keep them.

4.2 Comparison of subsidy levels

Chart V



Over a five-year period (1987-1991), France handed out a total of \$8.1 billion in subsidies for its export credit insurance operations (see Chart V left). Following at a

distance is Germany with \$4.7 billion. In Japan, newly-covered exports over that period required almost \$4.2 billion in subsidies. Exporters in the UK were indirectly granted \$3.1 billion. The United States granted by far the least from its insurance and guarantee

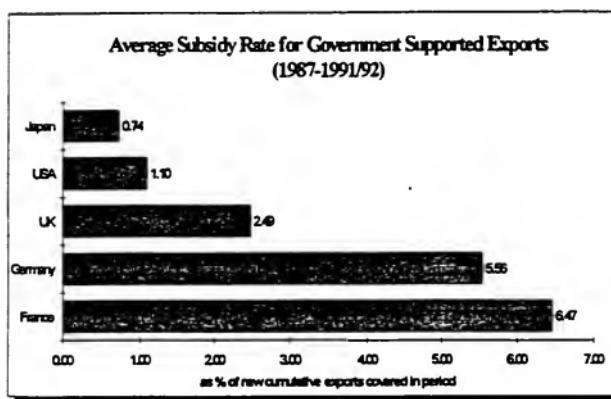
²¹Note: This is practically meaningless since both Hermes and Eximbank have completely different risk portfolios upon which provisions are based

²²Note: This figure is based on the (unlikely) assumption that Hermes has a portfolio similar to Eximbank's insurance and loan portfolio (off-balance sheet risk). Eximbank's provisions for off-balance sheet risk accounted for 1.7 percent of all outstanding commitments in 1992

operations: only \$467 million. In 1990, Eximbank recorded an \$85 million cash surplus from premium income and recoveries. In addition to a smaller insurance and guarantee portfolio, this is probably the reflection of a very risk-conscious cover policy (see also 3. Level of Assistance). This comparison also suggests the question, "How much more in US exports could have been enabled if US Eximbank had granted even half as much in indirect subsidies as Japan, the UK, France or Germany?"

These numbers may be used as an indicator of how serious the U.S. government has been about exporting in the past, and they serve as testimony of its ongoing neglect of the interests of US exporters.

Chart VI

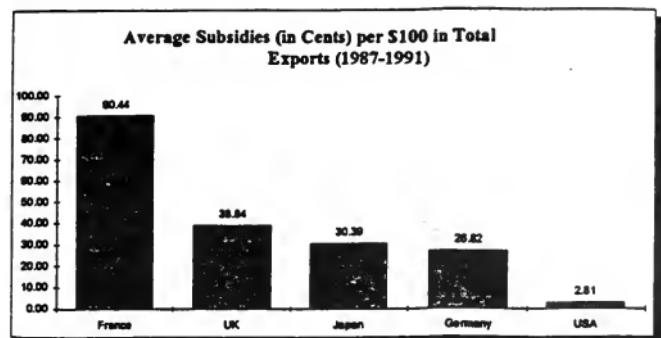


Comparison of those indirect subsidies with the amount of exports supported (Chart VI left) shows that the portion of government-supported exports is more heavily subsidized in the UK, Germany and France than it is in

the other two countries. Particularly striking is Japan's low subsidy level, as a result of the huge amount of exports supported.

Over a five-year period, the United States extended indirectly 2.8 cents per \$100 in international sales to its exporters. France granted 90 cents on average. The United Kingdom follows with 39 cents, Japan trails with 30 and Germany with 27 cents. The low value for the US reflects its strict anti-subsidy policy, whether or not the interests of the exporting community have been taken into account

Chart VII



This comparison (Chart VII left) is particularly useful, because exports that were subsidized in the past are likely to have produced further exports in the future for which

insurance did not need to be taken out. Export financing, therefore, can be regarded as a tool to influence future exports.

In a 1991 comparative study²³ the authors analyzed the subsidies of four EC countries (Germany, the UK, France and Belgium) for export credit insurance. Their analysis covered the period from 1976 to 1987 and achieved similar results. The authors concluded that "unless one believes that the period considered falls short of what the GATT code describes as a period of sustained losses, this evidence [the study] indicates that GATT and EC rules are not enforced".

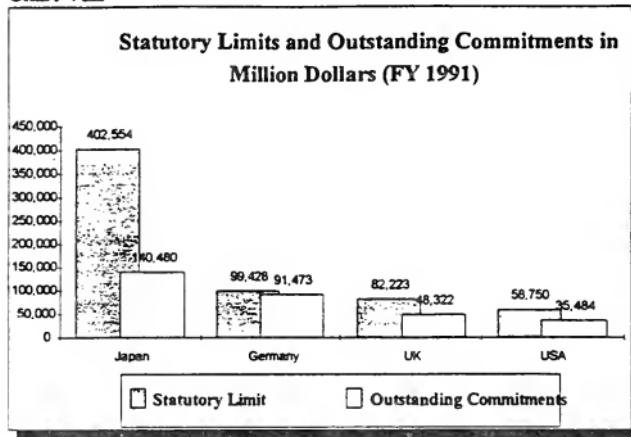
5. Resources and statutory limits

Compared with its competitors, the US Eximbank does not have the same financial flexibility. For example, Eximbank Japan has a floating liability ceiling based on its capital and reserves. The US Eximbank, on the contrary, is subject to Congressional budget negotiations and the resulting credit appropriations. These limit Eximbank's potential for annual commitments. Credit Reform enabled a greater predictability of the financial result but it also tied Eximbank's hands, keeping it from coming even close to its statutory limit (see Chart VIII below).

²³Filip Abraham, Inge Couwenberg and Gerda Dewitt, *EC Policy on Export Financing Subsidies*, World Economy, May 1992

Further, for its task of getting more commercial banks involved in export financing (see V. Implications for Export Financing Programs in the United States), Eximbank will most likely require a larger administrative budget. In 1992, its competitors in Germany, the UK and France expended on administration \$64 (Hermes), \$90 (ECGD) and \$87 (COFACE) million, respectively. Compared with Eximbank's \$37 million, they certainly reflect the higher volume of applications - and in the case of the UK, a higher staff level (760 employees versus Exim's 350). Hermes employs 1,600 staff but they share other tasks on Hermes' own account as well. COFACE's personnel level is 1,200.

Chart VIII



The French BFCE and Germany's KfW are hardly comparable with Eximbank since they perform a wider range of tasks than the US Eximbank, and are not subject to official ceilings on their commitments. All export credit insurance agencies

are in one way or another dependent on their respective parliaments, which fix their liability ceilings. As Appendix IV shows, Japan's cumulative limit²⁴ in 1993 (\$521 billion) exceeds the United States' (\$75 billion) more than seven times, and Germany's limit for guarantees and insurance (\$125 billion) is still well above Eximbank's. Even the UK, which exports half as much as the US, has a \$12 billion higher statutory limit. The utilization of those limits varied significantly from country to country in 1991: Germany's limit was almost exhausted with 92% whereas Japan still had room for \$262 billion in new commitments equaling only 35% utilization. The UK and United States both used around 60% of their authority which, in absolute terms, still made a \$13 billion difference - in favor of the British.

²⁴Note: The cumulative limit includes the individual limits of all institutions

6. Delivery systems

Ideally, each country's delivery network (see Appendix X) would reflect the structure of its exporters and, consequently, the kind of companies it has to reach. In Germany, private banks function as the natural one-stop shop for exporters and as the intermediary for Hermes and KfW. Hermes' 18 branch offices alone could not effectively address this clientele; KfW is even more dependent on banks since it only operates through its headquarters. France relies primarily on its large network of 22 branch offices. Commercial banks complement the delivery of public programs. Credit Lyonnais, for example, maintains 169 business centers which are headed by Corporate Branch Groups in each of the 21 directorates. All of them are able to counsel exporters on COFACE's programs. The fact that about 20,000 companies were insured in 1990 underlines the successful delivery of COFACE's services. In addition to BFCE's 20 branch offices, COFACE also counsels regarding BFCE's loan programs. In Japan, trading companies and large corporations account for most of its exports, allowing EID to rely on its six branch offices. Eximbank Japan's export loans are also accessible through five domestic offices.

7. Decision making bodies

At the top of the ECA decision-making process in Germany and France are interministerial bodies. In Japan, it is the direct responsibility of MTI itself. In the case of Eximbank Japan, a single person, the Governor, makes all strategic decisions (e.g., cover policy), whereas at KfW, a wide range of interest groups - from trade unions and commercial banks to the Bundesbank - are involved. In all countries, representatives of commercial banks, insurance companies and industry are involved in the advisory process, except in France, where corporations are not represented on advisory councils. Only in France and Germany are representatives of the respective central bank and other important credit institutions (BFCE, KfW and AKA) on the advisory panel.

In France, the UK and Germany, decisions normally require the consent of the respective minister. However, all ministries have delegated substantial authority to the operational level. In Germany, for example, there is a version of the interministerial committee which deals, together with the management of Hermes, with day-to-day business and smaller transactions, whereas the full committee meets biweekly to decide upon larger deals.

Opportunities for politically motivated decisions are more likely in France, Germany, Japan and the UK than in the US. This is because the respective organization is integrated into a ministry and is, therefore, subject to the government's influence. As in the case of France and Germany, other ministries, e.g., the foreign ministry, are also included in the advisory process and have, ultimately, decision-making power.

8. Cover policy and restrictions

None of the countries studied has programs which are restricted to a certain size or type of corporation. A geographic emphasis or pattern for a country's support depends mostly on a country's history of economic and cultural relations with other countries or regions, as well its proximity to them.

However, France and the UK seem to pursue a strategy which targets the "Dragon" countries in Asia. The UK focuses on a few Asian export markets (e.g. Indonesia, Malaysia, China). The British Overseas Trade Board, which is affiliated with the Department of Industry and Trade, declared those same countries as target markets. France's commitments in this region "[...] reflect the desire of the state to promote exports to solvent regions with growing economies"²⁵ also indicating an explicit government policy. Another emphasis for France is Africa, mainly due to its past as a colonial power, and Eastern Europe. Japan, of course, concentrates its efforts in the fast growing Asian market. For the US Eximbank, Latin America is the most important region, followed by Asia. Hermes and KfW focus their activities on Asia but Eastern Europe ranks second, and this share is still growing.

Only in the UK is official assistance available exclusively for capital goods and projects. All other agencies offer - at least in theory - coverage for consumer goods as well. The circle of eligible products is in all cases very vaguely defined, which makes it eventually a matter of undocumented policy to determine which products are covered. Only Eximbank, due to its charter, is directed to support so-called key industries which contribute over-proportionally to the country's improved competitiveness and the creation of high-skilled jobs in the US.

²⁵COFACE, Annual Report, Paris, 1992

The fact that all of the French government's losses and (indirect) subsidies are the result of - or concentrate on - the support for exports of capital goods and large projects indicates that the France has set out certain foreign economic priorities. This is underlined by the fact that two thirds of all those exports are covered by the government, up from 35% in 1990.

8.1 Targeting of industry sectors

An analysis²⁶ of export credit subsidy patterns in France and the UK shows that certain industries were granted more subsidies than others. Only a few sectors accounted for almost all subsidies. Between 1981 and 1984, in the first eight industry sectors that were implicitly subsidized, the subsidy level ranged between 0.8% and 4.2% in the UK and between 2.1% and 11.1% in France. Whether or not these subsidies are the expression of a written policy is unclear.

8.2 Targeting of export markets

Similar findings applied to export markets; some are more subsidized than others. According to the same study, coverage for exports to the relatively prosperous newly industrialized countries produced surpluses, which in turn were used to subsidize exports to less developed markets, such as Africa in the case of Belgium. Belgium's colonial past was certainly one major motivation.

The way fees and insurance premiums are calculated for certain markets offers the greatest potential for influence. For example, in all countries except Germany,²⁷ insurance premiums vary from export market to export market. COFACE employs four premium categories, whereas the British ECGD and US Eximbank determine premiums on a case-by-case basis similar to the Japanese EID. The consequence of a single flat rate is that relatively low-risk countries subsidize exports to relatively high-risk countries.

²⁶Filip Abraham, Inge Couwenberg and Gerda Dewitt, *EC Policy on Export Financing Subsidies*, World Economy, May 1992

²⁷Note: Since June 1992 a system comprised of five categories has been discussed by leading interest groups in Germany

Other influences are limitations applying to certain countries. There are differences in restrictions placed on certain export markets by Hermes and Eximbank, for example. According to each institution's latest list of limitations²⁸, for ten markets (e.g. China, Brazil, Jamaica, Egypt, etc.), Eximbank accepts periods exceeding 360 days. There are also twelve countries, mainly the Newly Independent States, for which Exim does not offer any form of support, whereas Hermes does - with significant restrictions (e.g. Armenia, Georgia, Kenya, Croatia, Lebanon, Iran, Tadschikistan, etc.). Only in the case of Nicaragua, Eximbank offers coverage whereas Hermes does not. Eximbank has no special conditions for Mexico, whereas Hermes applies some limitations.

For most restrictions found, such black/white distinctions were not possible but in the cases above, they were clear. In some cases, such as Nicaragua, Mexico or the Newly Independent States, decisions seem to be influenced by political considerations rather than risk considerations. However, these results should be treated very cautiously since only the individual case is relevant for a decision.

9. Government policy

The UK is the only country whose government has indicated a major change of its policy through the privatization of ECGD's short-term business. Since 1992, government-support is selectively available for relatively large showcase projects. The government will remain in the short-term arena by providing reinsurance to private export credit insurers. In effect, the level of assistance has not changed. The implementation of EC directives which intend to put all business up to two years in the private market, will probably not be completed any time soon.

Germany and Japan, on the contrary, have significantly stepped up their assistance over the past three years, due to drastic changes in each country's domestic business environment. Germany is struggling with reunification and is trying to ensure a smooth transition of former East Germany's economy which had been dependent on the Newly Independent States as export markets. In Japan, banks are struggling with bad debts in the wake of the revaluation of real estate. This has led to a much more cautious policy toward loans, export credits, and associated risks. Japan's high coverage for exports to

²⁸List of Eximbank: May 22, 1993; List of the German Ministry of Economics (Hermes): March 1, 1993

industrialized countries is a reflection of the new cautiousness of banks²⁹.

The French government's willingness to support exports has also increased. In effect, there are no subsidies granted to short-term business. It supports only large projects and contracts. With respect to the EC directive, COFACE is probably the most advanced ECA in Europe - but only because almost all of its short-term business takes place within the borders of the EC, which ultimately results in a lower risk exposure and fewer claims.

The actions of both governments indicate that support for exports in economically difficult times or worsening business environments is vital for their national economies in the long run. Their respective agencies are tools to help implement foreign economic policy.

²⁹Conversation with a representative of the EID/MITI

III. Evaluation of foreign countries' government-supported export financing systems

1. Japan

In Japan, a mere 3,800 out of 6.5 million companies employ more than 500 people - a huge small business community. Exporting, however, is mainly done by the major conglomerates and large trading companies, which are unique around the globe. This distinguishes Japan from the other countries, where the majority of exporters are small.

The EID can rely on intermediaries with a high level of expertise. Many trade associations are more or less strongly affiliated with MITI. MITI's central role in Japan's business world and its coordination of private and government efforts is unusual; only France has a similar system. As a result, delivery of its programs is no problem. Japan's Eximbank's export-related activities - 18% of all new loans - are comparatively insignificant.

The new risk consciousness among Japanese commercial banks made EID/MITI extend coverage to industrialized countries as well. EID's insurance terms clearly reflect this new mission: relatively low risk coverage and an enormous emphasis on short-term business. The EID's unwritten, overall mission seems to be the maintenance of an export-friendly business environment in Japan. The level of assistance is a reliable indicator.

2. United Kingdom

The government's attempted retreat from the export credit insurance business has obviously failed. Most recent events in the reinsurance market³⁰ make the presence of the state inevitable. ECGD's attempt to apply insurance principles to the calculation of premiums failed, since it left exporters at a disadvantage with international competitors.

³⁰ Export Today, *Reinsurance crisis hits short-term insurers*, The Institute of Exports, London, May/June 1993

The UK government now seems to pursue a much more targeted approach with respect to export markets and products. It has recognized that more exports usually follow in the wake of showcase projects. Within Europe, the British export credit insurance market best follows the EC directive, which provides for privatization of the short-term business (up to two years). ECGD's mission is "To help exporters of UK goods and services to win business [...] by providing [...] insurance against loss". This statement gives the ECGD the mandate for a wide scope of potential business. However, the British system leaves the funding of transactions completely up to the private sector - which demonstrates the acceptance of its programs in the banking community.

3. France

France provides the most comprehensive and aggressive support, particularly for major companies. COFACE's objective "[...] to guarantee the successful outcome of foreign trade transactions" gives it the authority for a uniquely wide range of services for exporters. The highly centralized coordination of all export promotion efforts is supported by an extensive delivery network and high acceptance in the business and banking community. This reflects the government's role in France's corporate world. However, in light of the EC directives, France still has a long way to go. Support for French exporters is very unlikely to decrease in the short-term.

4. Germany

The mission of government support is to engage in export assistance only if the risks involved are unacceptable to the private sector. As a result, most efforts - and losses - are concentrated in a few high risk markets. Export promotion through export financing is regarded as a means to help overcome temporary domestic economic problems; it is a tool to help implement the foreign economic policy in day-to-day business. The complete delivery of its programs through the private sector has turned out to be the key to strong participation of small exporters.

IV. Obstacles to export financing through commercial banks

Research into the government-supported export financing programs of France, Germany, the United Kingdom and Japan has pointed out the weaknesses of programs in the United States. The 1991 survey of the TPCC Working Group on Trade Finance identified some of the problems in the field of export financing. Those were mainly related to (1) bank management, and (2) the perception of banking regulations. Interviews with senior commercial bankers as well as a representative of Eximbank indicated that major problems are still prevalent. The fact that only 348 banks in the United States have indicated an interest in taking advantage of Eximbank's programs is the result of an accumulation of individual problems:

(1) The debt crisis in the 1980s which left most banks with bad debts and bad experience. However, those losses were not attributable to small business but rather were the consequence of poor bank management, as one banker pointed out.

(2) Since then, bankers associated horror stories with trade financing, and the cutting back of international departments has been the "in" thing. As a banker explained it: If most of your local competitors are suffering losses in the area of trade financing operations, top management can blame the trade environment. However, if you were engaged in trade financing, the management would be blamed by press and shareholders. The reverse applied to the time before the debt crisis, when making loans to developing countries was "in" and everybody had to be on that train.

Consequently, if your competitors start cutting back their international operations, you will have to follow unless you want to expose your career to unusual risks, whether or not your international operations are profitable. By doing so, most commercial banks have gradually sold out core competencies. Many loan committees or policy determining bodies at commercial banks have decided to retreat entirely from trade financing. As a senior bank official put it: what it takes most is committed management.

(3) It is not surprising that many loan officers today are not familiar with international transactions and financing. The majority of banks have lost the ability to evaluate foreign receivables and are anxiously trying to avoid any lending against foreign receivables. This, however, is exactly what small and medium-sized exporters need most. They usually do not have extensive assets and their credit lines are used up by domestic operations. In

most cases, foreign receivables are their only available collateral. This is the point where government-support can help most: by providing insurance which, in turn, allows banks to accept foreign receivables as collateral.

(4) Unfortunately, it is not that easy because the vast majority of loan officers are either unfamiliar with the programs of Eximbank or have reservations about their reliability and credibility. In 1991, bankers pointed out their difficulties with some programs of Eximbank. Interviews with senior trade financing officers indicate that difficulties still exist.

For example, Exim's practice of "bundling" loans which are guaranteed by the Working Capital Guarantee Program is not as workable as Eximbank believes. Accordingly, only government risk is available for securitization, whereas commercial risks are not. The latter is not, however, completely eliminated by Eximbank's guarantee.

Similar problems were indicated in Eximbank's insurance programs, with the exception of the New-to-Export Policy. Accordingly, the policy's conditionality does not allow the accurate quantification of a policy's value which, in turn, leads to the underlying foreign receivables not being recognized as collateral for loans. Whether or not these problems are justified - there is also some conditionality in Germany's programs - a difference in the programs' perception makes them, in the end, less marketable by Eximbank.

(5) The different perception of banking regulations by bankers and the regulators creates obstacles to making trade financing more profitable. In fact, bankers tend to set aside reserves for losses although they are not explicitly mandated. The result is a lower profitability. Similar misperception seems to exist in the field of capital requirements: bank regulations no longer automatically put trade credits in the highest risk category. Many bankers' perception, however, is that such credits still fall in the highest risk category.

(6) Even if banks offer trade financing, they want to finance only large transactions, which are frequently considered \$10 million or more. It is no secret that a single, large transaction is more profitable for a bank than a few small ones. But once economies of scale are taken into account, small business transactions are also profitable.³¹ Moreover, the handling of foreign transactions is a dynamic process - which means that with

³¹ Interviews with senior officials of commercial banks

increasing volume, the skills of personnel will increase along with overall profitability. When asked about a certain target clientele, one banker mentioned small and medium-sized businesses; even new-to-export companies among which there may be an IBM of tomorrow. What he also made clear was that he seeks a direct relationship with a manufacturer rather than with (risk averse) intermediaries. This statement shows some parallels with certain German banks (co-op banks³², savings and loans) which explicitly target small and mid-sized exporters who "are most profitable for them".

Now, as the focus of many corporations seems to be shifting increasingly towards foreign markets, they are faced with the results of the purely domestic focus of previous years: The United States is lacking an adequate infrastructure for export financing. As a banker with a large European bank in New York put it: the US is 25 to 30 years behind Europe. It still needs to establish what Europe already has.

³²They maintain the most extensive network of independent branch offices; the target clientele of those locally acting banks are small and mid-sized exporters; their transactions are processed via the national or regional headquarters of their roof organization. These organizations also maintain offices abroad and as well as contacts to correspondent banks. In addition to this service, they offer training facilities for officers of their member banks, and have experts in various fields of trade finance, e.g., government programs (domestic and export-related). Further, the regional or national headquarters go directly after big corporate clients.

V. Recommendations for export finance programs in the United States

The problems discussed above - as well as the comparison of US programs with those of its major competitors - have serious implications for US export programs in the future.

1. Delivery of programs

Without the participation of a greater number of commercial banks in the delivery, even the greatest efforts by state and federal agencies will not reach a significant percentage of the small business community. The primary objective must be to get more commercial banks involved in the delivery of Eximbank products. This task is not solely an operational problem at Eximbank. It is rather a highly political issue which involves the interests of various government agencies. The following options should be considered:

- (1) One of the bank managers interviewed for this study intends to get about twenty larger regional banks to engage in relationships with smaller, independent banks and to function as their partner for international business. For this highly sensitive and delicate relationship, particularly for the smaller partner, Eximbank would have to act as sponsor and facilitator, in order to bring together those interested parties and help them establish an organizational framework.

Eximbank would ultimately assume the role of a training and consulting facility. Those regional banks, in essence, would function somewhat as a roof organization of a co-op or a savings and loan bank in Germany. Such a relationship could bring enormous benefits for both parties involved. Private sector contractors could also be used in this outreach effort.

First, the smaller bank could build up international competency and create stronger ties (a banking relationship) with the small and medium-size business community that otherwise would try to go to the regionals (who may offer trade finance); this clientele is usually too unprofitable for the big players.

Second, it would create small business volume at the regional bank, making the mass of transactions a viable business. Exporters who grow beyond the capacities of local banks and require more comprehensive services could then assume a banking relationship with the regional bank without having to terminate the local bank for domestic business.

Third, it would put Eximbank in a key position to (1) promote its programs, (2) make bankers and their staffs more familiar with its programs, and (3) change the thought processes of policy-determining bodies at banks. Almost as a side effect, it would reduce bankers' reservations against "government's involvement" in the private market.

This idea has succeeded in Europe; why shouldn't it work in the US? The key is to find those twenty banks.

(2) Eximbank's attempt to deliver its programs through SBA's district offices to increase its outreach has not been very effective, according to a report³³ by the General Accounting Office. The personnel in those offices are lacking the training, expertise and consequent familiarity with Eximbank products. On the other hand, Eximbank has the expertise but is lacking an efficient delivery network. SBA's Export Revolving Line of Credit (ERLC) is similar to Eximbank's Working Capital Guarantee Program and ultimately creates a conflict of interest. In light of the TPCC process and the potential reallocation of resources, it is understandable that every institution tries to promote its own services, leaving the exporter's interests on the sidelines.

As long as Eximbank management does not have direct control over the personnel responsible for trade financing in SBA's field offices, federal efforts will not significantly improve the situation. The efforts of those two federal agencies need to be consolidated in order to come closer to the one-stop-shop idea. Ideally, Eximbank would be the single institution providing government-supported export financing, while SBA concentrates on domestic investment loans.

(3) State agencies could provide the delivery network for federal programs. In addition, they could offer programs that meet the very specific needs of their local economies.

The first option is clearly the most desirable and should be the priority. It is also the most free-market oriented and would keep the government out of the private market. Further, it is probably the least expensive option in the medium and long run, and would create the urgently needed export financing infrastructure.

³³ General Accounting Office, *Export Finance - The Role of the U.S. Export-Import Bank*, GAO/GGD-93-39, December 1992, Washington DC

The other two options should cater to the first option, which means they should facilitate larger volumes of small business transactions with the objective of creating a lucrative market for local and regional commercial banks. However, under the present organization of the government's efforts in the field of export promotion, including export financing, this task can hardly be mastered.

2. Organization

The Commerce Department should take the lead in the TPCC process and eliminate obvious duplications of competencies and programs. The GAO has pointed out those duplications in a series of reports (see References). It has also proposed practical and inexpensive ways to bring the "one-stop shop" closer, at least in pilot projects. With respect to the government's trade financing activities, the TPCC should:

- (1) concentrate all efforts on Eximbank programs
- (2) ensure adequate delivery through SBA's field network.

The process of coordination has been exhaustively discussed in the past. The TPCC now has an unprecedented opportunity to reorganize resources. It is definitely not the time to maintain ineffective and inefficient structures.

3. Level of Assistance and Budgetary Considerations

The Competitiveness Policy Council, a bipartisan national commission created by Congress, proposed a plan for new export expansion with an increase of governmental export credits to \$20 billion annually, among other measures³⁴. At present, Eximbank's activity is limited to around \$15.5 billion annually, because Congress authorized only \$757 million in credit subsidy.

Eximbank's mission must not be simply to support exports but to help create larger volumes of small business transactions and consequently a more attractive market for commercial banks. In light of Eximbank's expanded mission (as a facilitator of relationships between local and regional banks) as well as for increased outreach to the

³⁴ Trade Policy Subcouncil to the Competitiveness Policy Council, Washington DC, March 1993

small business community, Congress' appropriation for administrative costs and the resulting staff level appears far too low. At the present level, it will not be able to meet the challenges in the near future. The comparison with competing countries' administration costs and staff levels (see 5. Resources and Statutory Limits) clearly shows that Eximbank is underfunded.

Given the \$5 billion in foreign sales that are foregone each year because of the lack of an export financing infrastructure, higher appropriations would not simply be a one-time subsidy but an investment in the creation of an improved, less exporter-hostile business environment, and would put 100,000 Americans to work.

VI. Conclusion: Export Financing - Small Business in a Catch 22 Situation

The engine for higher levels of US exports is the mass of small/midsized companies and their international orientation. Obviously, the lack of export financing is one of the major obstacles to finally getting the US ready to compete in the 21st century. The following scenario makes the point:

Unless there is enough small business volume for individual banks, they are either not willing or not able to finance small deals. If, as a result, the greater mass of exporters cannot fill their orders, the volume of small transactions will not increase either. Which leads us to a classical Catch 22 situation.

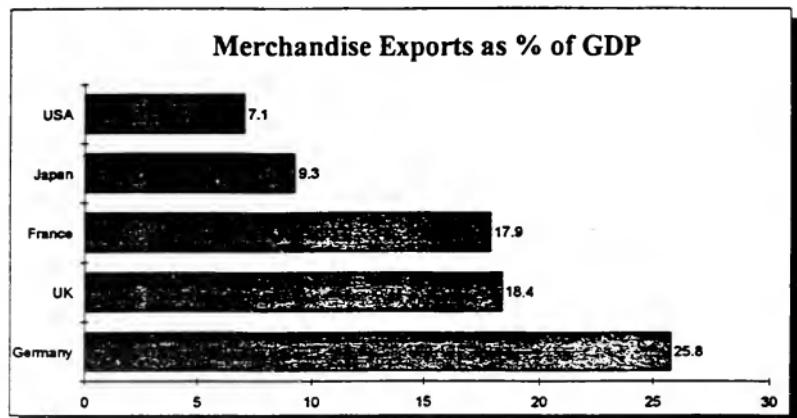
The government's role should be to break up this vicious circle and help create a viable infrastructure for export financing. Eximbank must play the central role in this scenario - under a new, expanded mission. Recommendations described in this study come from commercial bankers who have solid experience in the field of exporting, and deserve serious consideration.

Assistance in export financing should be regarded as a tool to proactively influence the nation's export level and to implement a foreign economic policy, as other governments do. It should not be necessary to match other countries' competition in high risk markets unless exporters, particularly small ones, cannot find financing for exports to industrialized countries.

Our government must recognize the importance of exports for employment in the future. If US companies are not able to beat their competitors in global markets - with or without the help of their government - they will be beaten at home with the subsequent loss of jobs.

There are many more home-grown obstacles to exporting in the United States which need to be tackled and will be part of a future SBEA study. For now, let's make some progress in export finance. It must be readily accessible and affordable. Let's design a workable system now.

Appendix I: The Importance of Exports to Individual Countries



Source: OECD Direction of Trade Statistics, 1992
 OECD Main Economic Indicators, 1992

Appendix III : Organizations Involved in Export Financing Programs of the Governments

	France	UK	Japan	Germany	USA
Export loans	BFCE	a)	Exim (J)	KfW	Eximbank
Export loan guarantees	COFACE	ECGD	Exim (J) EID/MITI	Hermes	Eximbank SBA
Export credit insurance	COFACE	ECGD(b)	EID/MITI	Hermes	Eximbank
Overseas investment insurance & loans	COFACE	ECGD	EID/MITI Exim (J)	Treuarbeit(c)	OPIC

a) Direct subsidy for fixed rate export financing

b) Short-term insurance business has been privatized since November 1991

c) Treuarbeit is partner of the consortium mandated by the government

Appendix IV: Institutional Differences in Countries

	France	UK	Japan	Germany	USA
Commercial Risks (%)					
Export Credit	85-90	90-100	60-90	75-85	90-100
Loan by Bank	95	100	80	85-95	90-100
Political Risks (%)					
Export Credit	90	90-100	95-97.5	90	90-100
Loan by Bank	95	100	82.5	90-95	90-100
Foreign Content (%)					
EC member	30/40	30/40	50	30/40	42.5/49
Other	30/10	30	50	30	42.5/49
How long is short-term?	up to 3	1/2-2	2	up to 2	1/2 - 1

Source: Respective export credit insurance agencies

Appendix V : Comprehensive Export Credit Insurance

	France	UK	Japan	Germany	USA
Who is the policy holder?					
- Individual Exp.	yes	n/a	no	yes	yes
- Intermediary	no	n/a	yes	no	yes
Exemptions possible?					
- by Buyer Status ^a	yes	n/a	no	yes	no
- OECD countries	no	n/a	no	yes	no
- Confirmed LCs	yes	n/a	yes	yes	yes
Credit Risk coverage					
- political	90	n/a	95 ^b	90	100 (95) ^c
- commercial	85	n/a	90	85	90 (95)
Pre-shipment coverage (included/optional)					
	opt.	n/a	incl.	opt.	opt.

a) buyer status: sovereign or private buyer

b) only during pre-shipment period

c) equalized coverage optional

Source: Respective export credit insurance agencies

Appendix VI: Overview by Type of Insurance and Guarantee

		France	UK	Japan	Germany	USA
Insurance	Specific policy	X(a)	X	X	X	X
	Revolving single buyer	-	-	-	X	X
	Comprehensive	X	-	X(b)	X	X
Guarantees	Specific guarantee	X	X	X	X	X
	Guarantee for a line of credit	X(c)	X	-	-	X
	G. for Discount of Notes and Bills	X	X	X	-	X

- a) only for medium and long term business (capital goods and projects)
 b) only available to exporters who are members of a trade association (policy holder)
 c) requires a bank to insure all exports loans with a period under three years

Source: Respective export credit insurance agencies

Appendix VII: Overview by Program and Period

		France	UK	Japan	Germany	USA
Loans	short-term	-	-	-	-	-
	medium-term	X	a)	X	X	X
	long-term	X	a)	X	X	X
Loan guarantees	pre-shipment	-	X	-	-	X
	short-term	X	X	-	-	X
	medium-term	X	X	X	X	X
	long-term	X	X	X	X	X
Insurance	pre-shipment	(X)(b)	(X)(c)	X	(X)	(X)
	short-term	X	-	X	X	X
	medium-term	X	X	X	X	X
	long-term	X	X	X	X	-

() Means: optional

- a) Interest rate subsidy instead of a direct loan program
 b) Optional for consumer goods; included with projects and capital goods
 c) Provides (1) coverage for the period between the signing of the contract and the availability of finance; or (2) coverage for any period or amount which could not be covered by other programs

Appendix VIII: Government support by form of assistance in 1991

	France	UK	Japan	Germany	USA
Loans	n.a.	418 ^(a)	2,029	6,857	776
Guarantees	n.a.	3,699	82,963 ^(b)	7,773	6,034
Insurance	n.a.	17,816 ^(c)	76,594	15,005	4,554
Total	49,840 ^(d)	21,933	160,551 ^(e)	22,778 ^(f)	11,364

- a) Instead of a direct loan program, ECGD provides direct interest rate subsidies for fixed rate export finance; in 1991/92 ECGD supported 7,054 million Pound Sterling in outstanding export loans
 b) Can be used as insurance as well as guarantee
 c) Short-term Insurance business was privatized in 1991; however, the government still provides reinsurance for private export credit insurers, which means that the level of assistance, in effect, has not changed
 d) A breakdown was not provided in the annual report; includes COFACE's business on its own account which is reinsured by the state
 e) Supplier credits by Eximbank Japan require EID coverage and are thus not included in the total amount
 f) Loans by KfW require Hermes coverage and are thus not included in the total amount

Source: Respective export credit insurance agencies

Appendix IX: Comparison of Statutory Limits (Cumulative) in billion dollars

	France	UK	Japan	Germany	USA
1990	not	96	354	99	58.75
1991	yet	82	403	99	58.75
1992	re-	86	510	125	58.75
1993	ceived	n.a.	521 ^(a)	n.a.	75.00

- a) The increase from 1992 to 1993 is solely due to the appreciation of the Yen against the Dollar; in Yen terms, the limit decreased 8.7%

Source: Annual reports of the respective export credit insurance agencies

Appendix X: Comparison of Delivery Networks

	France	UK	Japan	Germany	U.S.A.
Direct counseling					
- on guarantees	22	1	6+5	15	6+78 ^(b)
- on insurance	22	1 ^(c)	6	15	6
- on loans	20+22	-	5	1	6
Counseling by					
- banks	yes	n.a.	n.a.	yes	partly ^(d)
- state agencies ^(a)	no	no	no	no	partly ^(e)

a) other than direct counseling

b) SBA includes 10 regional and 68 district offices; each office has an officer designated to assist exporter clients;
+ indicates 'independent from each other'

c) only medium and long-term insurance

d) only participating banks

e) only participating states and cities

Source: Annual reports of the respective export credit insurance agencies

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	FY 1994 ACTUAL (\$000)			FY 1995 APPROPRIATED (\$000)			FY 1996 REQUEST (\$000)					
Program	Operating	Outreach /Grants	Total	FTE	Operating	Outreach /Grants	Total	FTE	Operating	Outreach /Grants	Total	FTE
BI	1,462	6,488 ¹	7,950	14.0	1,763	6,670 ²	8,433	24.0 ³	1,783	3,750 ⁴	5,533	24.0
SBDC	1,236	68,848 ¹	70,084	15.2	1,255	77,375 ¹	78,630	13.0	1,286	74,000 ⁵	75,286	13.0
IT	1,586	277 ⁴	1,863	17.8	982	3,683 ¹	4,635	9.0	695	3,683 ¹⁰	4,578	9.0
WBO	755	1,748	2,503	9.0	718	4,000	4,718	7.0	748	4,000	4,748	7.0
VETs	470	285	755	6.1	415	445	860	3.0	279	445	724	3.0
	5,509	77,646	83,155	62.1	5,103	92,173	97,276	56	4,991	85,878	90,869	56

**The above programs are delivered by field staff in our network of 69 SBA District Offices. As of August 1, 1994, we had identified 229 field personnel engaged, as part of their daily work, in one or more of the above programs.

¹SCORE (\$3,658,000) + SBI (\$2,830,000) = \$6,488,000

²SCORE (\$3,250,000) + SBI (\$3,000,000) + Business Information Centers (\$420,000) = \$6,670,000

³Addition of 10 FTE by acquiring the Answer Desk, the Visitors Center, and the For-Sale Publication program.

⁴SCORE (\$3,250,000) + Business Information Centers (\$500,000) = \$3,750,000

⁵SBDC (\$68,171,000) + SBDC Technical Assistance Pilot Program (\$677,000) = \$68,848,000

⁶SBDC (\$74,000,000) + SBDC Defense Transition (\$3,375,000) = \$77,375,000

⁷SBDC (\$74,000,000

⁸International Trade Outreach (\$277,000)

⁹International Trade Outreach (\$481,000) + U.S. Export Assistance Centers (\$3,202,000) = \$3,683,000

¹⁰International Trade Outreach (\$481,000) + U.S. Export Assistance Centers (\$3,202,000) = \$3,683,000

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IT	1,586	2,177 ⁸	1,863	17.8	952	3,683 ⁹	4,635	9.0	895	3,683 ¹⁰	4,578	9.0
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SBA Education & Training Partnerships

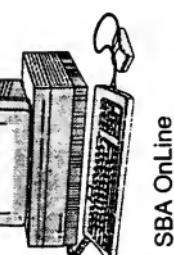


SCORE
383 Chapters
13,000 Volunteers

Business Info Centers
40 cities
NationsBank
Bell Atlantic



SBDCs
900 locations
State/private \$ match



SBA OnLine



Publications
USEACs
15 sites
63% of exports

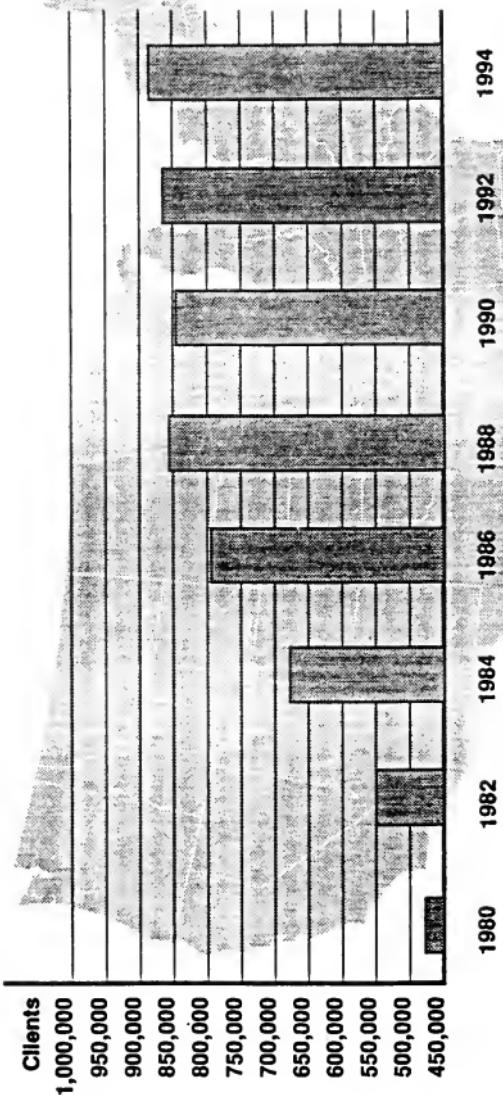


**Women & Minority
Business Ownership**

SBA

Business Education & Training Firms Assisted

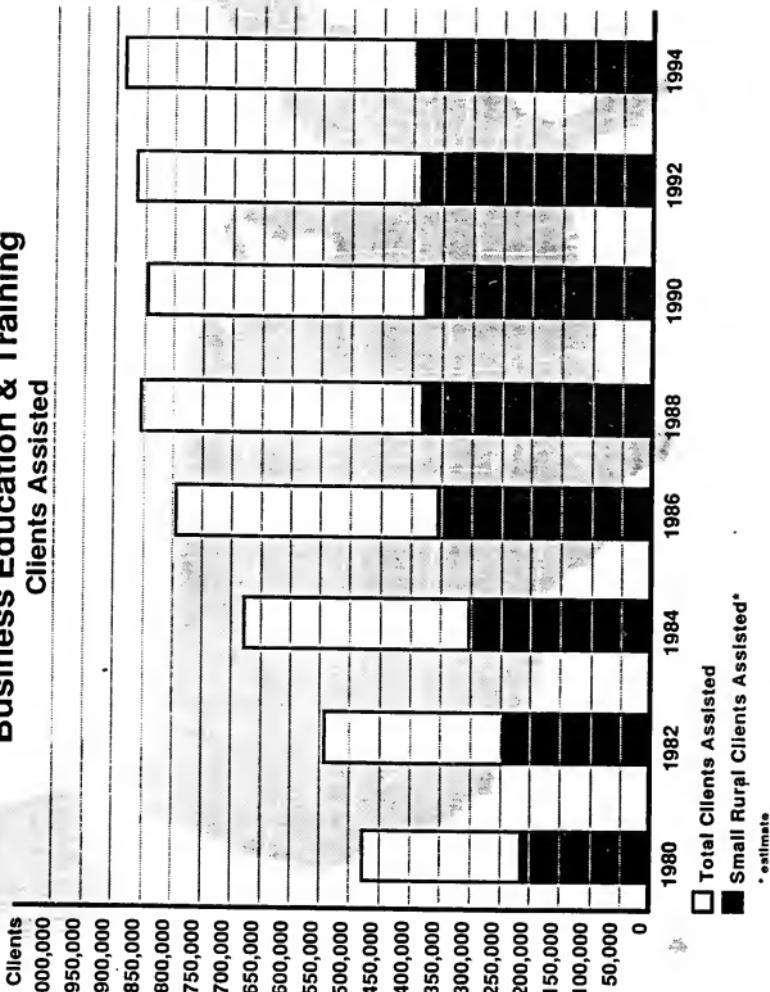
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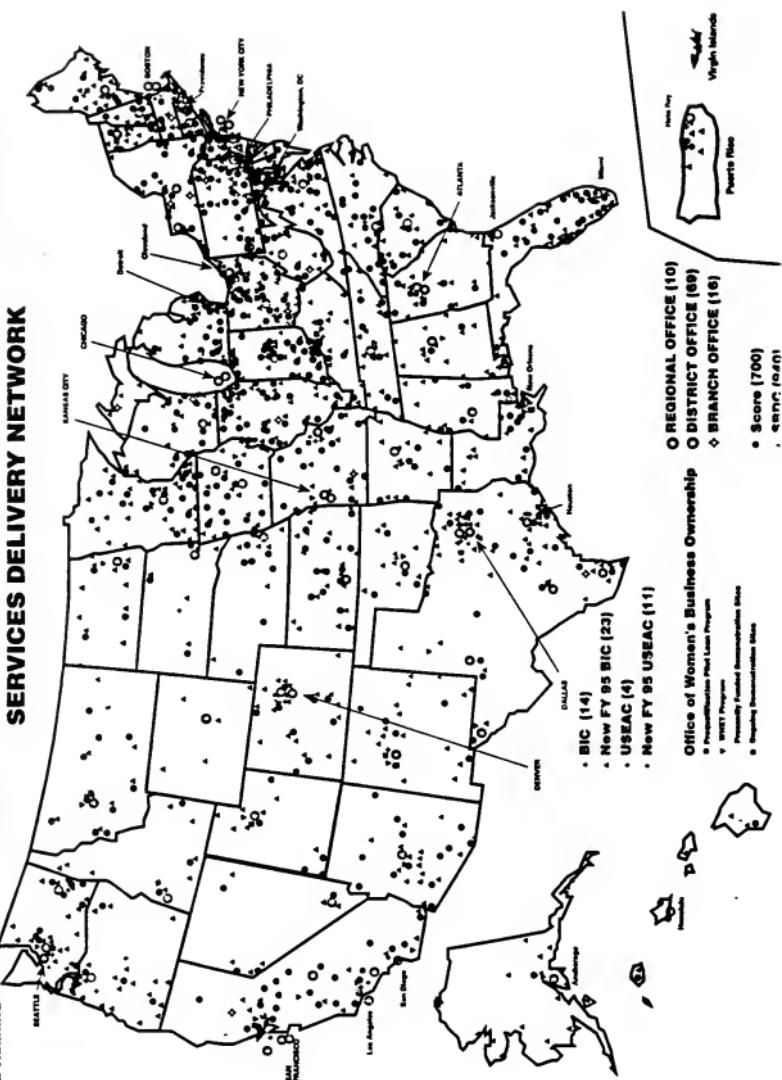
■ Small Firms Assisted



SBA Business Education & Training



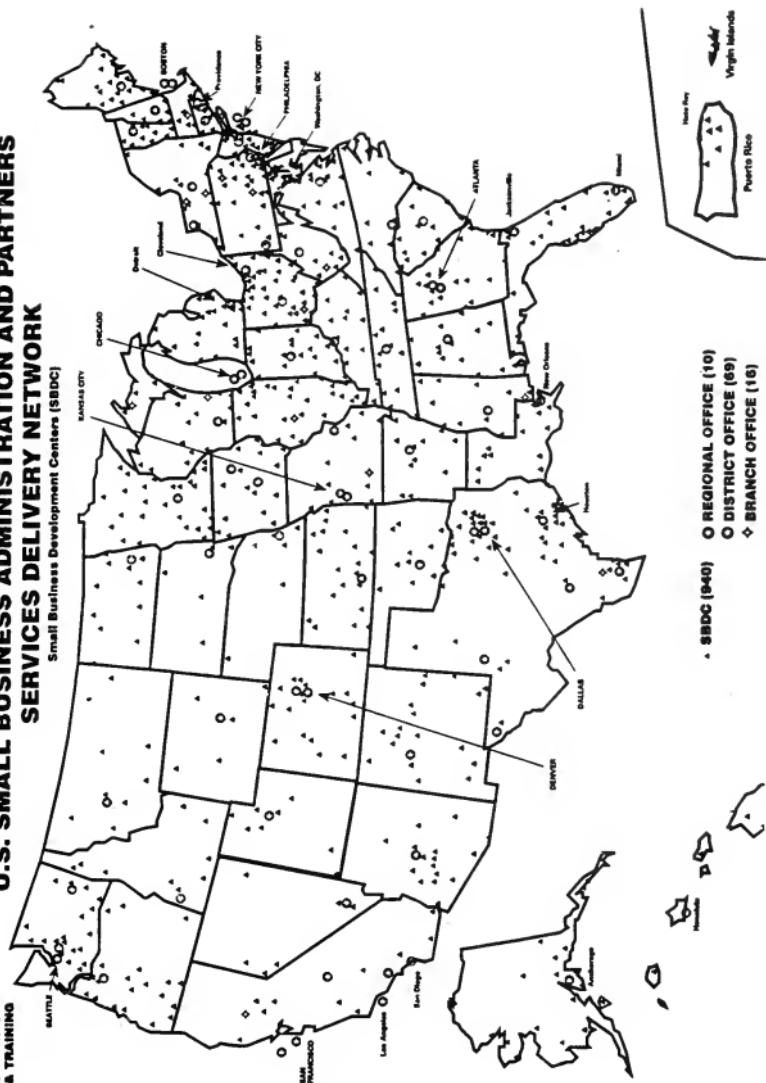
U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS
SERVICES DELIVERY NETWORK



U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS

Small Business Services Delivery Network

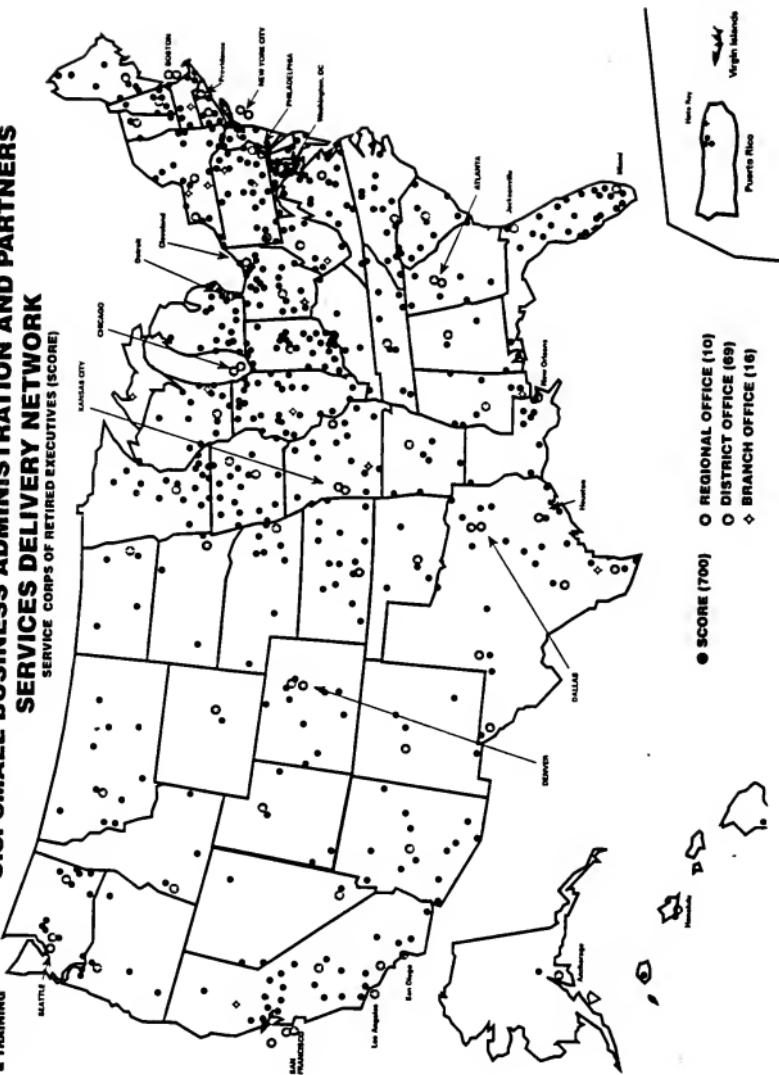
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**U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS
SERVICES DELIVERY NETWORK**

SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

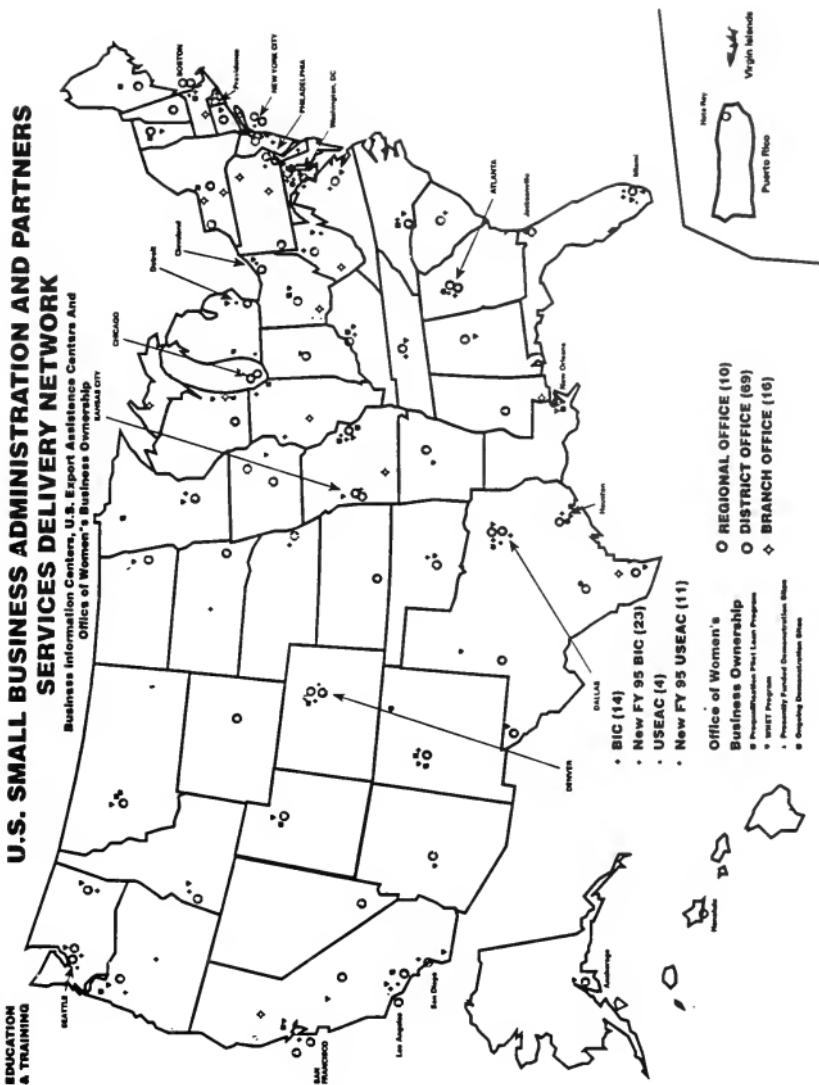
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U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS

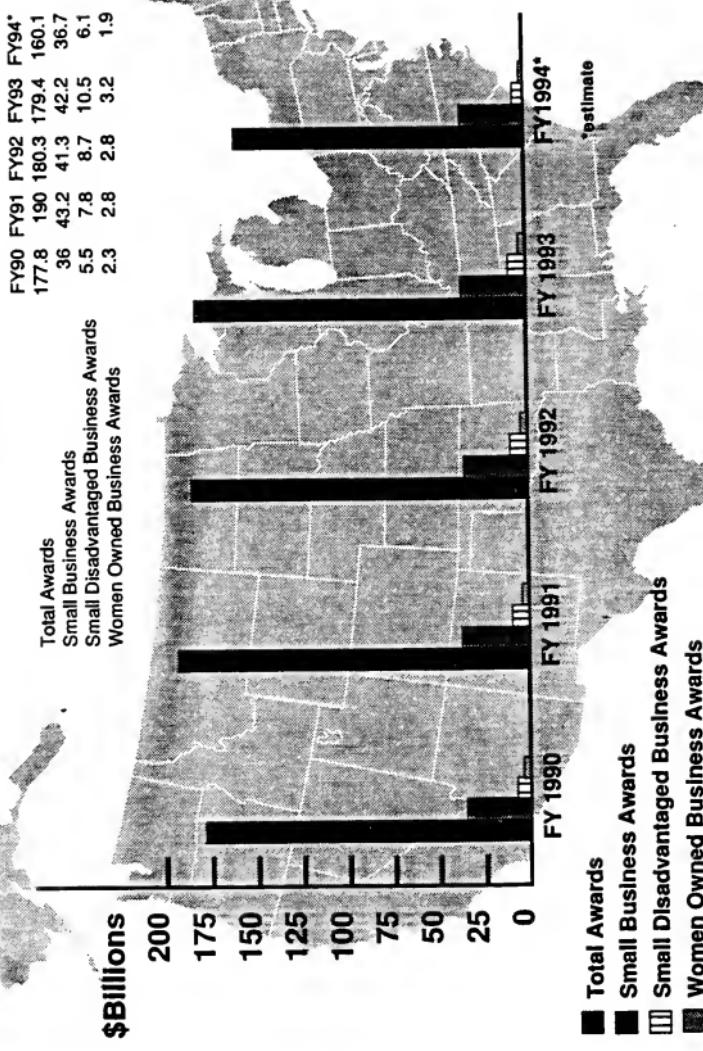
SERVICES DELIVERY NETWORK

**Business Information Centers, U.S. Export Assistance Centers And
Offices of Women's Business Ownership** LAWNSIDE CITY





Government Contracting Prime Contracts



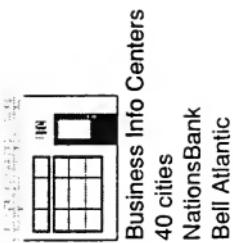
Business Development Programs

Program	Delivery Locations	Clients	Hours	95 Aprop. [000s]	Cost per Hour	Cost per Client
SBDC (Fed only)	940	556982	3062409	74000	24.16	
SBDC (w/match)		556982	3062409	148000	48.33	
SCORE	700	337800	1130300	3250	2.88	
SBI	487	6000	600000	3000	5.00	
International Trade				481		
Womens' Business Project	38 / Demo	20000		4000		200.00
Veterans' Affairs				445		

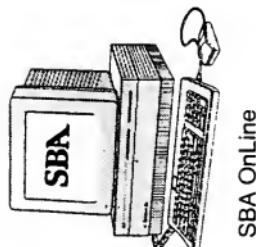
SBA Education & Training Partnerships



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Publications



USEACs
15 sites
63% of exports



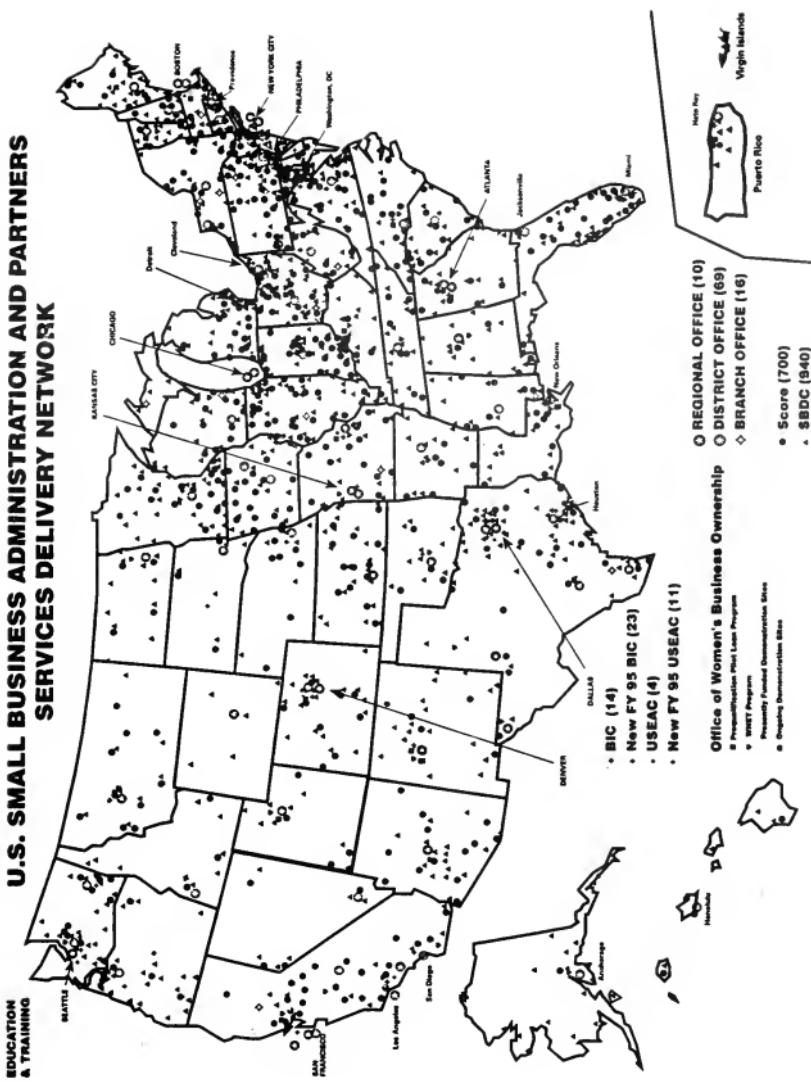
**Women & Minority
Business Ownership**

SBDCs
900 locations
State/private \$ match



SBDCs
900 locations
State/private \$ match

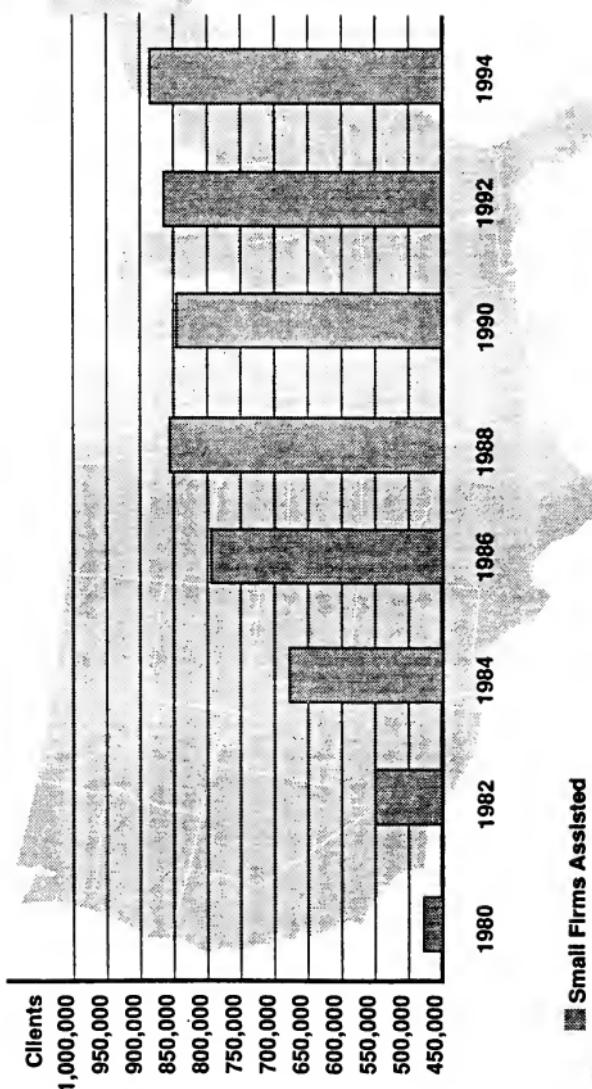
**U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS
SERVICES DELIVERY NETWORK**



SBA

Business Education & Training Firms Assisted

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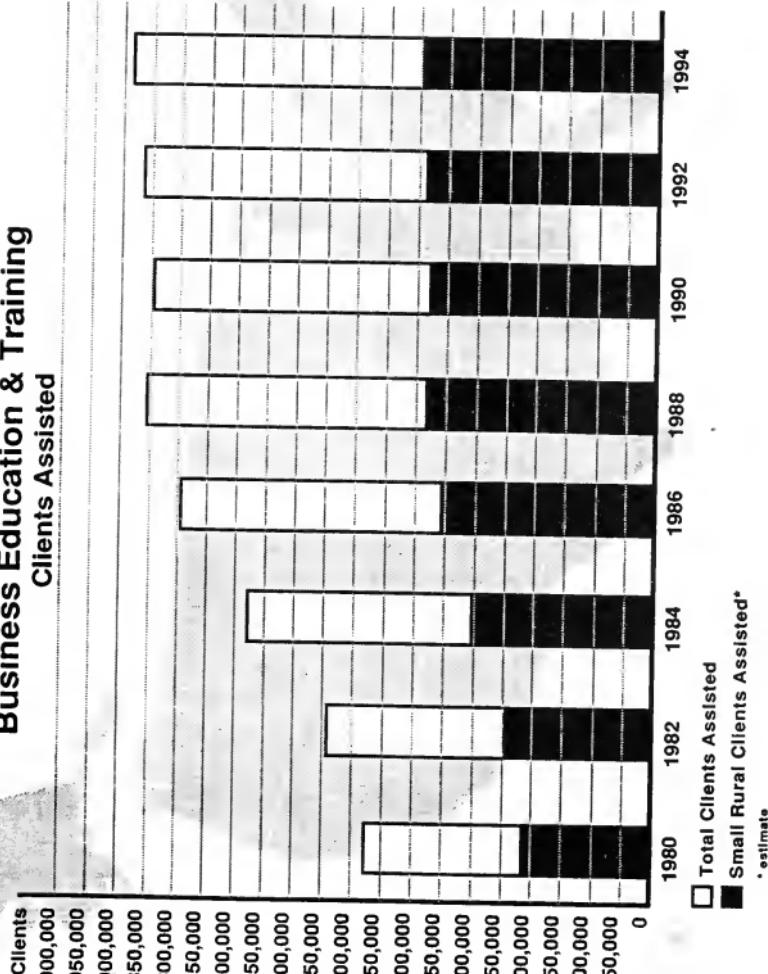


**EDUCATION
& TRAINING**

SBA

Business Education & Training

Clients Assisted

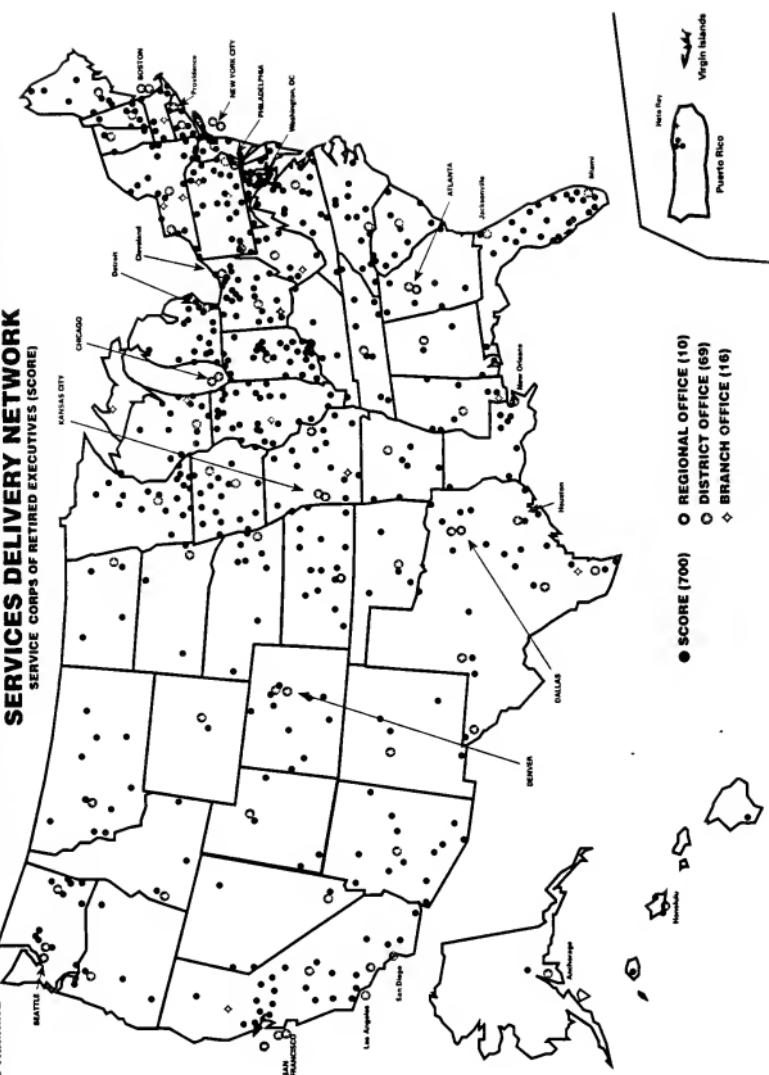


Total Clients Assisted

Small Rural Clients Assisted*

* estimate

**U.S. SMALL BUSINESS ADMINISTRATION
SERVICES DELIVERY NETWORK**
EDUCATION & TRAINING
SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

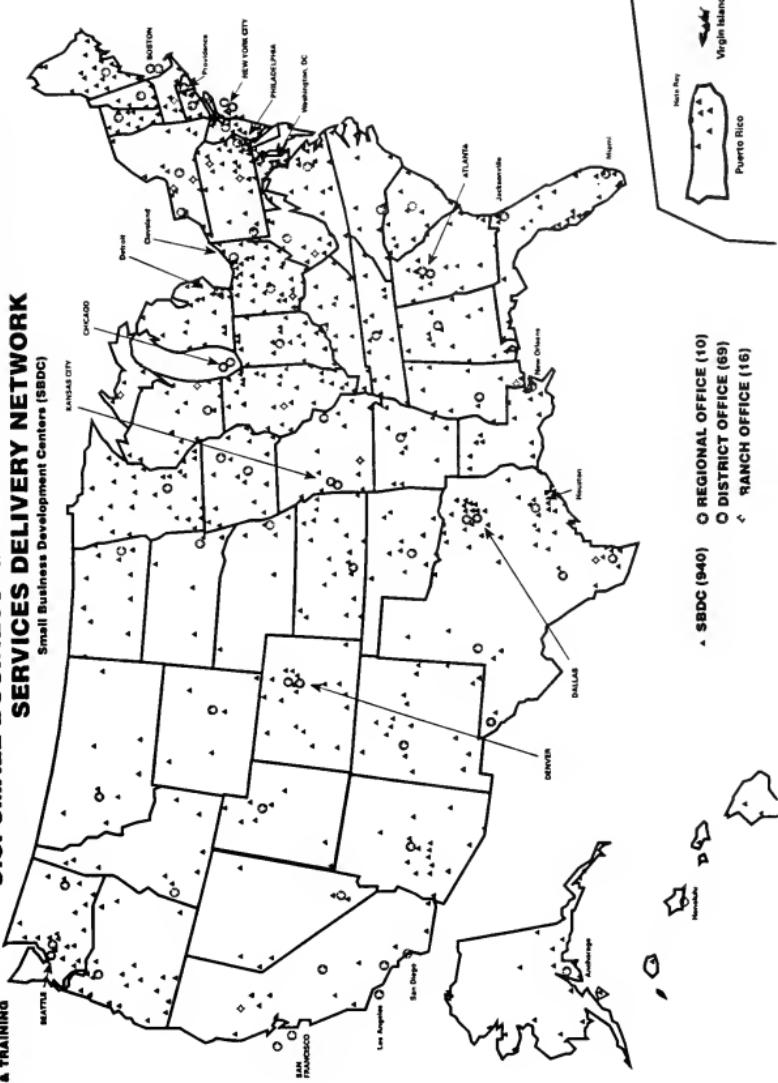


U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS
EDUCATION & TRAINING

SERVICES DELIVERY NETWORK

Small Business Development Centers (SBDC)

EDUCATION
& TRAINING

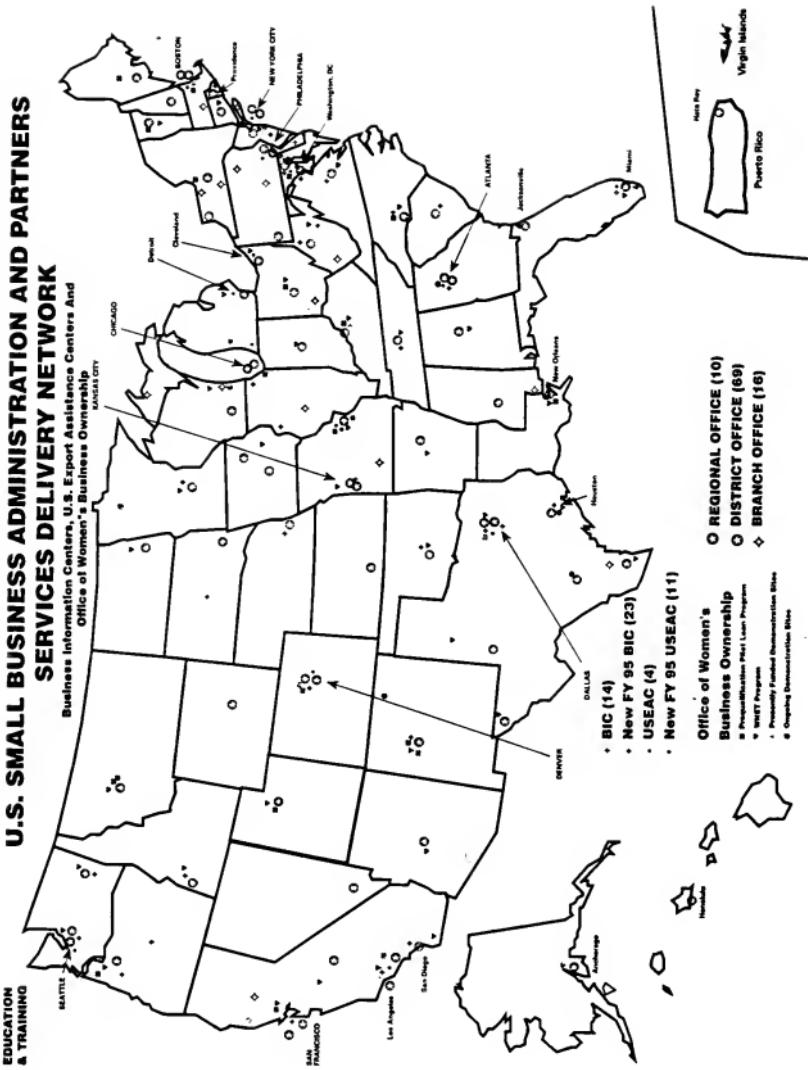


**U.S. SMALL BUSINESS ADMINISTRATION AND PARTNERS
SERVICES DEI IVERY NETWORK**

CHICAGO CHAMBER OF COMMERCE

Office of Women's Business Ownership

UNIVERSITY CITY



**Opening Statement Congressman Patrick J. Kennedy
House Small Business Committee
March 16, 1995**

Small Business Development Programs

Madam Chair, I want to thank you for providing us this opportunity to explore the many business development programs offered by the Small Business Administration. The technical and professional assistance programs of SBA are a crucial part of the business promotion mission of the Small Business Administration.

In Region I alone, SBA helps more than 50,000 small business entrepreneurs grow their businesses by drawing upon the resources of volunteers and partnership programs. The network of assistance SBA has developed between the Service Corps of Retired Executive (SCORE) Volunteers, Small Business Development Centers, and Small Business Institutes (SBI) at universities and colleges has been a tremendous asset for our region.

Those who are working hard to establish small business often need assistance in the early years as they work to draft business plans and navigate the difficult early years of building a business. In Rhode Island the Small Business Development Center has an outstanding reputation for being there when businesses need help and always provide the assistance that is most needed. I have had the opportunity to meet numerous business people who have benefitted from the services of our SBDC.

In light of the recognized ability our SBDCs have to foster business development I hope that this committee will give careful consideration to the report recently issued by the Association of Small Business Development Centers proposing that SBDCs be used as the framework for a national small business extension system. As we explore ways to strengthen and improve the support given to the most dynamic sector of our economy, this proposal deserves careful consideration from this Committee.

Additionally, as the SBA looks into developing a replacement for its trade data network I highly recommend expanding upon the International Trade Data Network located at Bryant College. This network is a truly outstanding example of the information explosion producing an increase of business opportunities. Developing trade is one of the best job creation programs we have. Information is the weapon we need in the battle that lies ahead. The Trade Data Network is recognized as a peerless example of data and information technology serving the needs of business. Currently eighteen states, and fifty sites beyond Rhode Island's borders, benefit from this resource. I hope the SBA and this Committee will carefully consider the possibility of expanding this resource.

I look forward to today's testimony and to a thorough investigation into the issues before us.

Opening Statement
of
Congressman Pete Peterson

Small Business Committee Hearing
"SBA's Business Development Programs"
March 15, 1995

Chairwoman Meyers, thank you for holding this important hearing on the future of business development programs within the Small Business Administration. As we look to improve the economic climate of our nation's small businesses, we must not overlook the need to give entrepreneurs the tools and expertise necessary to take full advantage of available opportunities.

I look forward to this hearing to provide an overview of the wide array of business development programs supported by the SBA. I know in my district of Florida, the network of Small Business Development Centers has provided invaluable information to small businessmen and women -- information which helped them keep their businesses alive and thriving.

In addition, the Small Business Institute, in affiliation with the Florida State University, has given hundreds of students experience in counseling and training clients. The relationships established in this program benefit the students through "hands on" education, the clients through quality consulting, and the economy through increased tax revenue.

Madame Chairwoman, in this era of tight budgets and much-needed deficit reduction, I fully support a thorough analysis of

each and every program within the SBA. I believe this hearing will help us as Members determine which of these programs are the wisest investments of our limited federal resources and I look forward to the testimony from all our invited witnesses.

Testimony Before the House Small Business Committee on Behalf of the Small Business Institute (SBI) Program

Gregg S. Poorman, President
POOR MAN Distributors
10079 Springfield Pike
Cincinnati, OH 45215
513-772-0772

March 16, 1994

Good morning. Thank you for the opportunity to share with this committee how SBI helped launch my new, fledgling business. But first, a little background on me and my company.

I grew up in Ft. Wayne, Indiana and in 1972 attended Purdue University in West Lafayette to become a professional airline pilot through the U. S. Marine Corps Platoon Leaders Corps program and play wide receiver for the Boilermaker football team. All that changed instantly in 1974 when I sustained a spinal cord injury.

Undaunted and with the support of my parents, friends and staff at Purdue I continued my education at the Ft. Wayne campus then returned to the main campus in 1976 to be the first student who used a wheelchair to graduate. Discovering a new challenge is never as difficult as it first appears, I continued my education at Purdue and graduated with an MBA in 1978. Little did I realize I was entering into a new world of discrimination.

I began my professional career with International Harvester in "back home again" Ft. Wayne. After 1 year of meaningless assignments, I contacted Procter & Gamble and was offered a position in the Industrial Relations Division in Cincinnati where I worked for 4 years. Unhappy with the "safe and secure" staff assignments at P & G, I accepted a position in 1983 with the Internal Revenue Service as Regional Office Training Officer. After I met Marty, my soon to be wife, in a training class in St. Paul, Minnesota I soon realized the IRS had served its purpose and it was time for me to pursue the American dream.

On August 8, 1988 I joined the world of entrepreneurship when I opened Country Fresh Deli * Yogurt in Cincinnati. With the help of SBA, I qualified for one of Cincinnati's first and largest Handicapped Assistant Loans. This loan enabled me to open my first prototype franchise store offering the best of TCBY and Subway in Middletown, Ohio. After 15 months I was forced to close Middletown and lost over \$90,000. I was down but not out. The one product that sold very well was a new soft serve dessert that was non-dairy, no fat, no cholesterol, sucrose free and only 10 calories an ounce. I figured if it sold in Middletown, I could sell it anywhere.

Facing extreme financial difficulties and personal pressure, I decided to become a food service distributor. As I continued to operate my first restaurant to just barely pay the bills, I began my new venture from the kitchen table in June, 1991. Knowing little about this side of food service, I jumped headfirst into this business with no plan just sheer determination and desperation that this product could help other businesses stay in business and prosper.

I might add my father had a successful business in Ft. Wayne, Poorman Heating and Air Conditioning I could have run, but I wanted to stay in Cincinnati and make it on my own. To be different, I decided to take advantage of my unfortunate last name and make it into 2 words. Thus POOR MAN distributors was born and as you can imagine its a name few forget.

One of the best decisions I made early on as an owner of a restaurant was to join the Greater Cincinnati Chamber of Commerce. This investment paid for itself many times over when I read about a "too good to be true" article in the monthly Chamber Vision. The article was written by Charles Matthews, Ph. D., SBI Director, University of Cincinnati, College of Business Administration. It offered *free* personalized, management counseling from seniors and graduate business students to help business owners set objectives, define actions and establish controls. All the things I knew I needed to commit to paper but simply did not have the luxury of time. I was just too busy trying to stay alive.

Realizing the immense value of this service and being a real *poor man*, I called Dr. Matthews explained my dilemma and as luck would have it I made the assignment deadline by 1 day. I realized the secret to my company's success was simple: create a business plan, refer to it often and revise accordingly. Dr. Matthews assigned a team of 2 students from his Analysis of Small Business class to conduct a 10 week study of my venture, record my history, outline company goals and objectives and make recommendations for future and sustained growth.

During this time my company was in its infancy, 3 months old with only 1 product. Within a couple weeks, 2 senior students met with Marty and I on a regular basis. They probed and questioned and eventually presented us with a very detailed and on-target evaluation of our business. Based on their recommendations in the business plan, I looked into adding a line of frozen dessert equipment to compliment my soft serve product, I also investigated adding a product or line of equipment to offset my slow sales during the winter and I contacted the University of Cincinnati to consider employing marketing Co-Op students as an "inexpensive but good" source of labor.

The result as you can imagine was positive. To begin, we hired our first Co-Op student who stayed with us for 3 outstanding terms. Then we found Coldeelite, the worlds largest manufacturer of frozen dessert equipment who had never had any representation in the Ohio Valley region. And to round out our sales throughout the year, in 1992 we became the first full service espresso distributor in our area. We have since added other lines of espresso equipment and related products to solidify our position as the leader of specialty food service equipment and products in our Tri-state area. Our company motto which sums up our mission statement is *Partners in your success!*

Three weeks ago PMD received the Most Improved Coldeelite Distributor award of 45 distributors at the annual convention. Our '94 sales were almost triple what they were in 1993. We now have 7 employees and are ready to purchase a building or construct an office warehouse to accommodate our expansion needs. Last week we introduced Jolle', our own low calorie soft serve brand. Our plan is to take this new and improved product international. And how may you ask do we plan to do this? I'm not sure at this point. But I am confident a couple students in Dr. Matthews class will provide valuable input to make it happen beginning next month.

My business is a success and I owe it in part to SBI. But there is another side to this testimony. When we are through here today, you can get up and walk out. That's not possible for me. Imagine having the desire to own and operate your own business and face numerous obstacles everyday that everyone else, business owners and non-business owners, take for granted.

I regularly teach a course called Project BOSS funded by the Ohio Rehabilitation Services Commission. This program helps people with disabilities decide whether or not they should start their own business. I would like to see the SBA and SBI get more involved with these types of programs and to advertise their services to the community. This is a perfect forum to expand the outreach opportunities to assist those with disabilities to become productive and contributing members of our society. Please allow me to briefly share with you some startling statistics:

- Approximately 30 million of 43 million people with disabilities are not working.
- 7% of the total population are unemployed while 68% of workers with disabilities are jobless.
- The cost to exclude disabled Americans from entering the work force adds up to \$200 billion in public assistance and \$100 billion in lost wages and taxes per year.
- Of the 30 million disabled Americans that are unemployed, 70% or 21 million want to work.
- 28% of Americans with disabilities "live" below the level of poverty.
- Many of the 13 million *lucky* Americans with disabilities are employed in jobs beneath their level of education and abilities.
- Disabled Americans have far less education than do non-disabled Americans.

These statistics clearly and convincingly document how people with disabilities have chronically suffered and struggled to survive and compete in our society. This is not an appeal to "hire the handicapped." Rather it's an appeal for common sense and justice. For over a quarter century city, state and federal laws have helped people of ethnic backgrounds and have ignored this country's largest minority.

Of the 43 million Americans with disabilities, 75% or 33 million believe they should be protected by the same types of civil rights laws that protect other minorities. Yet today, there are few city, state or federal programs available to help people with disabilities compete and become successful entrepreneurs. I strongly believe people with disabilities need to be afforded the same opportunities as other "protected class" citizens. If this happens it will be a giant leap to help correct the injustices of the past. If not, then no socio-economic, ethnic or gender class should receive preferential treatment.

Last week while on a business trip to Houston a novel thought came to me... *If you think you're lost, maybe you haven't gone far enough.* We all know we live in the land of opportunity. After recently returning from Russia with 2 adopted boys, I know just how lucky we are to be Americans. My boys now have a fighting chance to be everything they want to be. With your continued support and advancement of the SBI program, many of our college graduates and entrepreneurs of tomorrow can find their way to success because you helped them find their way.

A couple closing thoughts at this exciting time of the year. First a word to the wise - pick the Purdue Boilermakers in your NCAA basketball pool to be in the final 4. And second and most important, of course, is to include funding for the SBI program in the SBA budget. As you have heard from me it's a "slam dunk" and a classic win-win for all!

 U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416



TESTIMONY OF
MARY JEAN RYAN
ASSOCIATE DEPUTY ADMINISTRATOR FOR ECONOMIC DEVELOPMENT
SMALL BUSINESS ADMINISTRATION

before the
HOUSE SMALL BUSINESS COMMITTEE

HEARING ON BUSINESS DEVELOPMENT PROGRAMS

Madam Chairman, thank you for inviting us here today to review with you the Small Business Administration's (SBA) role in business counseling and education. Joining me today are the directors of the various program offices with the primary responsibilities for business education and training.

When Administrator Lader spoke to this Committee about making the case for small business, he described SBA in terms of the four primary functions it provides to the Nation's entrepreneurs — providing access to capital, advocating on behalf of small business, providing disaster relief, and the subject of today's hearing — business education and training. He also stressed the fact that the SBA operates as a public/private partnership — using taxpayer dollars to leverage private resources in its lending programs as well as its business and education training programs.

Today's SBA uses an integrated approach to economic development. We've brought together under our Office of Economic Development all the Agency's financing assistance and business education programs because we believe that these programs work best when they work together. The SBA's capital and business education programs complement and enhance one another as well as those of other government and private entities. To that end we've been working hard to let our loan portfolio firms know about our business education resources. Similarly, we are educating businesses through our counseling and training programs about SBA's financial assistance products and about proper financial management techniques. In addition, the SBA's Economic Development programs have become more

proactive in order to ensure that the programs reach firms that will have the highest economic development impact and to better serve historically underserved areas such as inner cities and rural America.

Small business owners or aspiring business owners look to the Federal government not only for capital, but for information, education, counseling and training. Often, these business development services are the missing link to access to capital or the difference between success or failure of a business.

The SBA, through its network of field offices and resource partners across the country, provides a full range of education and training programs. These programs are offered to small business owners in some cases for free and in others for a small fee. These programs serve small business owners who cannot afford similar services offered by private sector providers or who may have an information need which cannot readily be provided by the private sector. We believe that the public sector has a legitimate and important role in business education. It is in the national interest to ensure a strong small business sector by helping entrepreneurs operate as efficiently as possible, employ the latest technologies and effectively use market information.

The SBA provides numerous education and training services, which include electronic information accessed through SBA OnLine, basic business training and state-of-the-art specialized training, and individually tailored planning, mentoring, and networking programs.

All of these are good examples of how the SBA delivers its services within a public\private partnership. These programs leverage and complement that which exists in the private sector -- both profit and not-for-profit -- as well as that provided by other federal, state and local governments. This is done in a variety of ways by requiring matching funds, using volunteers, getting private companies to co-sponsor activities, and delivering programs through existing educational institutions such as college and university systems.

Owning one's own business is part of the American dream. We have all read stories about entrepreneurs who started with only an idea and a little capital and turned them into nationally or internationally known businesses. What may be less familiar is the impact that millions of small business owners have on their communities and the nation. These businesses serve market niches in their regions, employ millions of workers, and contribute substantially to the economic health of the country. They, like their more visible colleagues, depend upon information, education and training to help them start and grow their businesses, however small they stay or large they become.

Statistics show that 25 percent of new businesses close their doors within the first two years and 50 percent close within the first five years. Many factors contribute to business success or failure and some are beyond the ability of any governmental entity to influence. For example, we know that a new business owner without perseverance, a willingness to work long hours, and dedication to a quality product or service will likely not succeed over the long term. However, for those who do possess those characteristics, the SBA's

information, education and training programs can increase their chances for success by teaching them about business topics like marketing, personnel management, exporting, product distribution, financial planning, use of electronic resources, and dozens of others. Over the years, the SBA's information and business education and training programs have helped millions of aspiring entrepreneurs and small business owners achieve the American dream.

The remainder of my statement explains each of the major education and training programs and the efforts to revise and improve these programs that SBA has made over the past few years. Let me assure you that as our programs continue to change and evolve, we will be constantly looking for ways to better serve our small business customers while providing the best return on the taxpayer's dollars. As noted earlier, these programs are integrated with each other as well as with other SBA, government, and private sector programs — with the goal of more effectively serving small businesses. It is also important to note that all small businesses are different and have different needs — one size does not fit all. That is why the SBA has a variety of finance and business education programs.

SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

SCORE is an association of 13,000 executives, 95 percent of whom are retired. These executives volunteer their time and expertise to counsel current and potential small business owners and to conduct training seminars at approximately 700 locations throughout

the United States. Service locations include the SBA district and branch offices, U.S. Export Assistance Centers (USEACs) and Business Information Centers (BICs). SCORE will also soon be serving customers in the One Stop Capital Shops (OSCSs).

Each year approximately 350,000 small business customers receive advice and assistance from SCORE volunteers who bring to the table a wide variety of business experience and expertise. The program has a particular focus on new businesses. Because SCORE is a volunteer organization, the cost to the taxpayer is kept to a minimum. For Fiscal Year (FY) 1994, Congress provided an appropriation of \$3.5 million for SCORE, which works out to a cost per customer of less than \$10 and an average cost per hour of SCORE counseling of less than \$3. SCORE counselors are reimbursed only for mileage and expenses incidental to the delivery of counseling and training.

The Agency has made a considerable investment in training of SCORE volunteers. Over the last several years, ongoing professional development training has been implemented to upgrade counseling skills. Every SCORE counselor has received this training.

SMALL BUSINESS DEVELOPMENT CENTERS

The Small Business Development Center (SBDC) Program was created by the Congress in 1980 to provide advice, information and assistance to small businesses. With guidance from the Congress, the program has evolved from a small pilot program with 18

SBDCs to a national network of 56 state and regional SBDCs with 940 service locations. In FY 1995, the program is funded by a \$74 million federal appropriation and an estimated \$85 million in matching funds of from state, local and private sources. The number of small business owners receiving assistance from SBDCs has grown from 54,000 in 1980 to 557,000 in 1994.

SBDCs meet the counseling and training needs of customers who range from business start ups to owners and employees of established firms. In addition, some SBDCs serve additional functions such as:

- providing microloan technical assistance;
- piloting the Women's Prequalification Loan Program;
- participating in U.S. Export Assistance Centers, Business Information Centers and One Stop Capital Shops;
- assisting firms in obtaining Government contracts and surety bonds; and
- assisting small businesses affected by defense downsizing.

Because of the funding and delivery partnerships with state and local governments and the private sector, the SBDCs are tailored to the economic development needs of their particular regions. The SBDCs also work in partnership with other Federal agencies to deliver programs important to small businesses. For example, the Environmental Protection Agency (EPA) is providing funding for SBDCs to help small businesses develop, market or adopt environmental (including pollution prevention) technologies to achieve economic growth

and environmental compliance. The EPA is also exploring ways to utilize the SBDC network to disseminate information and provide business assistance regarding recycling.

SBDC programs are established in each of the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. Counseling services provided to small businesses are provided free of charge, while customers attending group training sessions normally pay a small fee to offset the direct costs of the course by the SBDC.

The SBDC program's role in fostering economic growth through job creation and generation of tax revenues was quantified in the recent study, The Economic Impact of Small Business Development Centers: 1992-1993, by James Chrismen of the University of Calgary. The study of small business clients counseled by SBDCs in 1992 showed that in 1993, after counseling, these clients:

- had significantly higher sales growth rates in comparison to the average U.S. business (13.3 percent vs 5.8 percent);
- generated an estimated \$3.7 billion in additional sales;
- showed a significantly higher employment growth rate in comparison to the average U.S. business (12.1 percent vs 2.6 percent);
- created 68,500 new jobs; and
- generated federal and state income tax revenues of over \$290 million.

The study did not evaluate certain benefits to customers such as: 1) non-counseling programs such as educational workshops, research, information and materials; 2) value added to the operations of short term clients; 3) continuing tax revenues generated by long term clients; 4) business failures prevented through SBDC assistance and discouragement of individuals with non-viable business ideas; and 5) other tax revenue sources such as corporate, property, unemployment taxes, and social security payments. Even so, the study concluded that the money spent on the national SBDC program was an extremely worthwhile investment. This conclusion is consistent with the 1990 General Accounting Office Audit Report: Small Business Development Centers Meet Counseling Needs of Most Clients.

The following two examples illustrate how SBDC services assist individual companies.

Donna Cook of Rabbit Creek Products in Louisburg, Kansas worked with the Johnson County SBDC to establish her own marketing and customer relations programs; re-evaluate her product mix and catalog; design a trade show booth; implement employee programs; and develop new marketing plans for the future. During 1994, Rabbit Creek exceeded all financial projections. The number of employees doubled from ten to twenty.

Advanced Refractor Technologies (ART) in Buffalo, New York, is a manufacturer of advanced non-oxide ceramic materials with applications in the electronics, structural, nuclear, automotive, and aerospace industries. With the assistance of the Buffalo SBDC, ART is now exporting its products to European and Japanese markets.

WOMEN'S BUSINESS OWNERSHIP

According to 1991 U.S. Census data, between 1981 and 1991 the number of women-owned businesses grew at twice the rate of male-owned businesses. Even though women-owned businesses are increasing in number, range, diversity and earning power, they still face many barriers to success. Today's SBA is putting together policies and programs addressing the challenges confronting women business owners. The Office of Women's Business Ownership (WBO) is the only office in the Federal government specifically targeted to the woman business owner. It's mission is to support the growth of women entrepreneurs from start-up to expansion.

The Women's Business Office allocates its resources based on customer needs, statutory mandates, major Administration initiatives and leadership from this Committee. Programs and initiatives include: long term training and counseling; assistance with financing and federal procurement opportunities; and development of a profile of women business owners in the United States.

Women's Demonstration Projects

An excellent example of a public/private partnership is the Women's Demonstration Project program to provide long-term training and counseling to women. Demonstration Project sites offer financial, management, marketing and technical assistance to current and potential business owners. Each center tailors its program to the particular needs of the

community. The program is jointly funded by \$4 million appropriated by Congress and funds raised by the sites. After three years, each site must become completely funded by non-Federal sources.

Since establishment of the program in the Women's Business Ownership Act of 1988, over 31,000 women have received counseling in 30 sites located in 18 states and the District of Columbia. The program has helped address issues such as the feminization of poverty and the growing emergence of women who of necessity are self-employed. The program has provided service to isolated and economically depressed areas. Some of these sites will be co-located in One Stop Capital Shops. In addition, we are in the process of reviewing proposals for up to 19 additional sites.

Women's Prequalification Program

According to a 1994 survey by the National Foundation of Women Business Owners, 52 percent of women business owners finance their businesses with their credit cards and personal resources. This compares to 18 percent of all small businesses that use this type of financing. Clearly, women business owners not only need capital, but they need access to affordable capital. This program was designed to help meet that need. The program allows a woman business owner or prospective owner to receive prequalification from the SBA for a loan guaranty before going to a bank.

Since the prequalification program was piloted in 16 sites in June 1994, 236 loans have been approved totaling over \$24 million. Sites include Columbus, OH, Charlotte, NC, Chicago, IL, St. Louis, MO, Buffalo, NY, Boston, MA, Philadelphia, PA, Portland, OR, San Francisco, CA and Louisville, KY. The program is offered statewide in Colorado, Maine, Massachusetts, Montana, New Mexico, and Utah. We were pleased to have both Congressman Torkildsen and Congressman Meehan attend our latest opening in Boston in January.

Women's Procurement Pilot

Women own 38 percent of all small businesses and those businesses employ more people than all of the Fortune 500 companies combined. However, women-owned businesses have received less than 2 percent of the federal procurement opportunities in the last several years. Thanks to efforts of this Committee, language was included in the Federal Acquisition Streamlining Act of 1994 to help women-business owners gain access to more of the Federal procurement opportunities.

SBA is focusing on translating Congress' landmark 5 percent government-wide procurement goal for women into new or expanded options for women business owners who can capitalize on this opportunity to market their products and services to the federal government. The efforts include:

- Designating a women's business advocate to work with the SBA and women business owners to provide outreach, training and marketing assistance in the

following agencies: Agriculture, Defense, Energy, HHS, HUD, Justice, Labor, EPA, GSA and NASA.

- Publishing a directory of all goods and services purchased by the Federal Government through each of its buying activities. Women Business Owners...Selling to the Federal Government will be available in Spring, 1995.
- A national procurement reform teleconference in October of 1994.
- On-site procurement conferences at major buying activities around the country. Each conference will offer training seminars, exhibits by women-owned businesses, networking opportunities and current procurement solicitations.
- A marketing and technical assistance training pilot in the Dallas and Houston area to test the effectiveness of intensive hands-on marketing assistance as an enhancement to the ability of women-owned businesses to pursue and obtain competitive procurement opportunities.

Information Collection and Dissemination

The WBO is working with the National Women's Business Council and the Census Bureau to establish an annual survey of women-owned firms. This study will provide comprehensive data needed for both public and private policy decision makers. Because they will share the benefits of this data, other federal agencies have contributed significant funding to help conduct this study. The survey results are expected in early summer. WBO is also piloting a roundtable format for Women's National Education Network through the Demonstration Projects and the SBDCs.

Finally, SBA's Assistant Administrator for Women's Business serves as co-chair of the Interagency Committee on Women's Business Enterprise along with Dr. Laura Tyson, Assistant to the President for Economic Policy. The Committee works closely with its private sector counterpart, the National Women's Business Council, chaired by Lillian Vernon, to address public policy concerns of women business owners.

INTERNATIONAL TRADE

America's economic growth depends heavily on exports, and the ability to create those exports in the future will depend heavily on small businesses.

- For every \$1 million made available to finance exports, 20 new jobs are created with a seven-fold return to the American economy.
- Exports accounted for 70 percent of the growth in our economy since 1989.
- Small firms account for 97 percent of establishments involved in direct merchandise exporting. These small businesses employ more than half the workers involved in exporting and account for 63 percent of the dollar value of their exported products.

The Trade Promotion Coordinating Committee (TPCC), with representatives from 19 federal agencies, has identified three essential ingredients that small exporters need to be successful. They are access to capital, advice and information, and training. The SBA has reshaped its international trade programs to respond to each of these small business needs.

The SBA's Office of International Trade (OIT) serves as a focal point for small business assistance to develop and finance export sales. Because of its nationwide infrastructure, the SBA is better able to reach U.S. small businesses than other Federal agencies or private sector organizations. Business counseling, technical assistance and financing assistance for small business exporters are available through SBA's network of district offices, its resource partners such as SBDCs and SCORE, and the United States Export Assistance Centers.

United States Export Assistance Centers (USEACs)

USEACs are "one stop" shops for exporters. This pilot program combines resources of the SBA, the Department of Commerce (DoC) and the Export-Import Bank (Ex-Im). The four initial USEACs are located in Miami, Chicago, Baltimore, and Long Beach, California. These centers opened in January 1994 and are now being evaluated. The second phase of USEACs are scheduled to open by the end of 1995 in Boston, New York, Philadelphia, Atlanta, New Orleans, Cleveland, Detroit, St. Louis, Denver, Dallas, and Seattle. SBA's share of the program is funded by \$3.2 million appropriated by Congress for FY 1995.

Export Financing

The most significant obstacle to small business exporters in closing overseas deals has been the lack of export financing. Many private sector lenders have little or no experience in making trade loans under \$1 million. Because of this lack of familiarity, most lenders believe that small export loans are too risky or time-consuming to be commercially feasible.

In order to fill the gap in private sector export financing, the SBA, with the help of Congress, has re-designed its loan guarantee program for exporters to provide small businesses with the working capital necessary to support their export transactions. SBA's new Export Working Capital Program (EWCP):

- is harmonized with that of the Ex-Im Bank to provide seamless delivery of service to small exporters based on the size of their credit needs;
- offers preliminary commitments (PCs) to exporters. SBA reviews the loan application and offers its guarantee up front, to give lenders an incentive to make loans to small exporters;
- has specific fee and interest rate policies which allow lenders to make a more reasonable return on their investment by assessing their risk and charging the appropriate market rate.
- has a simplified, uniform, joint application form which now lets the exporter apply either to the SBA or Eximbank, depending on the loan amount requested.
- uses uniform lenders' guides and instructions, making it easier for a small exporter to apply for a working capital loan.
- offers an SBA guarantee of 90 percent for the EWCP loan and authority to guarantee standby letters of credit.

Under the Agency's loan programs in Fiscal Years 1993 and 1994, \$696 million in export-related bank loans to small business were SBA guaranteed, creating approximately 7,200 jobs resulting from successful export sales.

Information Resources

Since 1992, OIT has:

- Responded to approximately 22,000 phone and mail inquiries from the public on basic how-to-export questions.
- Published and distributed approximately 150,000 copies of six basic export books paid for by private funds.
- Sponsored, co-sponsored or actively participated in trade shows, training workshops and trade missions in which approximately 9,600 small businesses were active participants.

Because the United States is often seen as a model for small business creation by other nations and the SBA is charged with that mission, the OIT collaborates with its small business counterparts in 25 industrialized nations. This collaboration includes: 1) the exchange of Best Practices; 2) the development of a small and medium-sized enterprise (SME) information data base; and 3) an upcoming international workshop that focuses on small business contributions to the Organization of Economic Cooperation and Development's (OECD) member economies. The SBA has a Vice Chair's position in the OECD's newly formed SME Working party.

OFFICE OF VETERANS AFFAIRS

The Office of Veterans Affairs (OVA) is the only Federal Government Office assisting veterans who want to go into business or who own a small business. In recent years, many members of the military affected by defense downsizing have had to make a career decision between employment and entrepreneurship. These cutbacks have also adversely affected small businesses owned by veterans.

SBA's Veterans Affairs program is funded by \$415,000 for program and \$445,000 for outreach activities in FY 1995. Key activities of the veterans program in FY 1994 include:

- helping to direct over \$1 billion in loans to veterans in FY 1994;
- working with SCORE and SBDC's to counsel 130,202 veterans and train 57,786 veterans;
- participating in approximately 98 percent of all on-site transition assistance conferences for service members departing military service.

BUSINESS INFORMATION CENTERS (BICs)

One of the most successful of our recent innovations in providing information, business education and training is our Business Information Center (BIC) program. A BIC provides a one-stop location where current and future small business owners can receive

assistance and advice. BICs combine the latest computer technology, hardware and software, and an extensive business library of hard copy resources.

What makes BICs more than high technology libraries are the on-site counseling available at the center. SCORE is currently the counseling resource at most of the existing BICs. However, in some BICs, counselors from SEDCs and the Commerce Department's Minority Business Development Centers are also available. All BICs combine the self-help approach with the one-on-one interaction provided by the counseling resource.

The SBA also uses BICs to introduce and complement new information, education and training initiatives. An example of this is the use of BICs as a place to educate business owners about electronic commerce/electronic data interchange (EC/EDI). EC/EDI simulation software is installed in the BICs. This hands-on training opportunity will serve as a convenient, efficient learning tool for thousands of business owners. It will also provide the SBA with feedback on how the government's move to EC/EDI in procurement will work for small businesses.

The first BIC opened in Seattle in late 1992. Since that time BICs have opened in Los Angeles, San Diego, Houston, Chicago, Kansas City, St. Louis, Atlanta, Boston, Washington, Baltimore, Nashville, and Fort Worth. Twenty three others are well underway. Sites will include, among others: El Paso, Denver, Albuquerque, Newark, Spokane, Boise, Oklahoma City, Charleston, SC, Portland, OR, Fairmont, WV, and San Francisco. In

addition to these 23, the SBA will install BICs as the core component of the One Stop Capital Shops in up to fifteen empowerment zone communities.

Over 82,000 small business customers have used the thirteen existing BICs since they have been open. The BICs are a public\private partnership made possible by \$1.4 million appropriated by Congress and the many local and national partners who contribute financially and otherwise to the establishment and operation of the centers.

ONE STOP CAPITAL SHOPS

As a result of the Budget Reconciliation Act of 1993, the Administration's Empowerment Zone/Enterprize Community initiative was established. The SBA's contribution to this multi-agency effort is the establishment of One Stop Capital Shops (OSCS). The purpose of these shops is to bring the SBA's business education and financing resources together with other federal, state, local and private sector resources. These shops are a further step in our public\private partnership. They also will serve as a demonstration project for a new coordinated approach for delivery of the SBA's full product line.

While other agencies will provide services to meet the needs of these economically distressed communities such as housing, public safety and social services, the SBA will provide the tools for sustained economic development and growth. These areas have been underserved in the past by the SBA as well as other government entities and the private

sector. This is an effort to help broaden and diversify the economic base of these communities and make them a better place to live and work.

Local communities decide what programs their OSCS will offer and how each shop will operate, in consultation with the SBA and other participants. The communities are "stake holders" as well, meaning that the communities will be making the major contributions to the initiative. The SBA is only one of many participants. The SBA will complement and leverage resources, both business education and financial, that already exist. The emphasis is customer service and convenience. Time is money for a small business owner.

Every OSCS will look different, as the needs and resources of each community are different. For example, rural zones will cover much greater geographic areas than urban zones. Some communities will have more financial institutions and other resources available to them than others. However, the SBA will provide a Business Information Center (BIC) for each OSCS and two SBA employees to oversee the operation of the BIC and act as a liaison with SBA resource partners and the SBA district office.

Examples of possible OSCS participants include SCORE; SBDCs; 7(a) lenders; 504 lenders; Microlenders; local business licensing offices; Department of Commerce MBDA offices; low cost or free legal/accounting help; pools of lending funds contributed by local financial institutions; local and/or private procurement representatives. Technical and managerial assistance will be as key a component as is access to capital.

The SBA is working with the 15 Empowerment Zones, Enhanced Communities and Supplemental Zones that were chosen as recipients of OSCSs. The SBA has also been working on a pilot OSCS in Jamaica, New York. The purpose of the pilot is to build upon "lessons learned" when establishing additional OSCSs.

CO-SPONSORSHIPS

The SBA has a longstanding tradition of working with the private sector as co-sponsors in providing information, education and training to the small business community. Over the years, SBA has worked with major corporations, not-for-profit organizations, and local and State agencies to help meet the needs of small businesses. Such national cosponsorships include the following examples:

Under a co-sponsorship with Sprint, the cost of all toll-free connections to SBA Online, the Agency's electronic bulletin board for small businesses, has been underwritten. In its two years of existence, this service has been produced with almost no use of taxpayer funds. From its inception in October of 1992 to January 3, 1995, over one million connections have been logged. Almost 123,000 users are registered and regular users of the bulletin board.

A co-sponsorship with NationsBank and the Commerce Department's Minority Business Development Agency is establishing BICs in up to eight sites. In addition, Bell Atlantic is a partner in several of these eight sites.

A co-sponsorship agreement under which a variety of hardware and software manufacturers, including Microsoft and Dell Computer, will donate hardware and software to BICs.

Co-sponsorships with a variety of corporations and companies provide special emphasis training on topics of special interest to small businesses. An example is the training on EC/EDI being offered jointly between the SBA and the APL Group, Inc., an EDI software developer. Ten training events in ten cities will familiarize small business owners with EC/EDI in general and with the Federal government's use of EC/EDI under the Federal Acquisition Streamlining Act. In addition, the APL Group will provide all BICs with EC/EDI simulation software at no cost.

A co-sponsorship with the Bank of Boston produced a videotape on the basics of exporting, with all production costs paid for by the Bank of Boston. A similar co-sponsorship with Bell Atlantic produced a four-tape series on business topics for new business owners. Both of these co-sponsorships created products which the SBA now sells in its for-sale publications program.

In addition to these are examples of national co-sponsorships, local district offices engage in hundreds of local and regional co-sponsorships which address single site or single issue needs. All of these co-sponsorships make possible the provision of services to small businesses on a free or low-cost basis, minimizing the cost to the taxpayer.

MANAGEMENT ASSISTANCE PUBLICATIONS

As part of its information services, the SBA has, for many years, distributed publications on a variety of business topics. In FY 1994, SBA distributed 1.2 million publications. Most were sent free of charge or for a small donation which failed to cover the costs of printing and mailing.

To remedy this financial drain while continuing to meet the demand for business management information, SBA asked the Congress and was granted authority to create a for-sale publications program. This program will take effect this month and has been structured to allow the recipient of the publications to pay the direct cost of printing, distribution and mailing.

Those publications which were not in high demand have been eliminated from the inventory. Others on timely issues have been added. The entire program has been restructured to achieve greater efficiencies in the program's operation. The SBA will evaluate the success of this information and education service at the end of this fiscal year.

SMALL BUSINESS INSTITUTES

The Small Business Institute (SBI) program provides in-depth business counseling for small business customers through four year academic institutions. The counseling is done by senior under-graduate and graduate students directed by a business school faculty member. The schools are given a lump sum grant of \$500 for each successfully completed case. The grants are used to defray the costs of delivering the program.

While the program can offer more in-depth assistance than the other SBA assistance programs, it can only serve an extremely small number of customers compared to those programs. For example for the same \$3 million dollar appropriation, SCORE serves 350,000 customers while SBI reaches only 6,000.

The SBA is faced with a number of difficult decisions in reaching the total agency budget request for fiscal year 1996. We could not leave all programs intact and still reduce our overall agency budget. It was necessary to look at the impact and number of customers reached to determine where reductions would have the least negative impact. The SBI is one of the programs for which no funds are being requested for FY 1996.

CONCLUSION

The SBA has many valuable programs and initiatives for business education and training that complement and are intertwined with the SBA's other functions of access to capital and advocacy. We are using public\private partnerships very effectively and constantly looking at ways to give the taxpayers the best quality product in the most cost-effective and customer friendly manner.

Thank you for the opportunity to testify today. I'll be happy to answer any questions you may have.

PETE PETERSON
2D DISTRICT, FLORIDA

COMMITTEE
ON
APPROPRIATIONS
SUBCOMMITTEES
ENERGY AND WATER
RESOURCES
AGRICULTURE AND RURAL
DEVELOPMENT

Congress of the United States

House of Representatives

Washington, DC 20515-0902

March 15, 1995

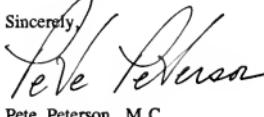
The Honorable Jan Meyers
Chairwoman
House Small Business Committee
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Madame Chairwoman:

On behalf of the Florida Small Business Development Centers Network, I would like to ask that the attached testimony be placed in the hearing record.

The FSBDC Network was a part of the original SBDC pilot project and has since assisted over one million small and minority business owners and operators. The direct result of these efforts has been the creation and/or retention of nearly 140,000 jobs statewide.

I believe the prepared testimony will prove valuable for Members as we face the difficult decision of allocating scarce federal dollars and I appreciate in advance your cooperation on this matter.

Sincerely,


Pete Peterson, M.C.

DBP:jsh

WASHINGTON OFFICE
428 CANNON BUILDING
WASHINGTON, DC 20515-0902
(202) 225-5235

DISTRICT OFFICES
930 THOMASVILLE ROAD, SUITE 101
TALLAHASSEE, FL 32303
(803) 561-3979
MARIANNA
(803) 526-7516
LAKE CITY
(803) 752-1088
30 WEST GOVERNMENT STREET
ROOM 203
PANAMA CITY, FL 32401
(803) 785-0812

**F S B D C
NETWORK**

**SMALL BUSINESS COMMITTEE
HOUSE OF REPRESENTATIVES**

**HEARING MARCH 16, 1995
ON
SMALL BUSINESS DEVELOPMENT CENTERS
OF THE
U.S. SMALL BUSINESS ADMINISTRATION**

**STATEMENT FOR THE RECORD
OF THE
FLORIDA SMALL BUSINESS DEVELOPMENT CENTER NETWORK
PENSACOLA, FLORIDA**

The Florida Small Business Development Center (FSBDC) Network provides quality business and economic development assistance to businesses and prospective businesses in order to promote growth, expansion, innovation, increased productivity and management improvement. The Network links resources of the federal, state and local governments with the resources of the state education system and the private sector to provide management and technical training, and business development programs to meet the specialized and complex needs of the diverse Florida business community.

Four key elements are highlighted below, and briefly discussed later, which account for the success and economic impact of the Small Business Development Center program. A fifth element is offered in the words of SBDC clients who are unable to be present in person but who have a story to tell.

- It is a decentralized and flexible program, managed locally within states, which provides services that meet the needs of the respective small business communities.
- It is a cost effective program that has documented, and independently verified, economic impact.
- As a partnership program, it shares operational costs among participating organizations and encourages leveraging of non-federal resources.
- Given the existing infrastructure of centers throughout each state, a variety of specialized services and targeted programs can be delivered to small firms in a cost effective and non-duplicative manner.
- Our clients tell us that the program is needed and it works.

More than 80 percent of all new jobs created come from firms with fewer than 20 employees. In fact, most are created by companies with fewer than five employees and that have been in operation less than five years. These dynamic small ventures are the source of job creation and economic growth in our economy. They represent the majority of the SBDC client base throughout the nation.

Through a network of 22 full-service centers and nearly 60 outreach locations within our state, more than 1.4 million Floridians have received assistance from the SBDC program since 1980. More than 345,000 entrepreneurs have received practical education and

training in business growth and operation. Confidential business counseling has been provided to more than 179,000 entrepreneurs and nearly 917,000 requests for general business information have been answered for the citizens of Florida.

The impact of the counseling and training assistance provided speaks for itself –

- over \$1.6 billion in federal, state and local procurement contracts have been secured by clients as a result of SBDC assistance;
- more than 143,000 jobs have been created or retained as a direct result of the counseling process;
- Florida businesses receiving counseling from the SBDC energy specialists have been shown how to reduce their energy bills by \$14.3 million each year, thereby, allowing them to redirect money previously spent on utilities to some other element of their business operation; and
- for every state dollar invested in the SBDC program, an additional \$14.92 of state and county revenue is generated.

Federal funds provided by the U.S. Small Business Administration are used to attract financial support from a variety of other resources which would otherwise be unable or unwilling to significantly contribute to the SBDC program. In 1994 alone, more than \$4.8 million (56.8% of all funds) were leveraged from universities/colleges, private sector organizations and volunteers, the Florida Energy Office, the Defense Logistics Agency and the Japan Ministry of International Trade and Industry.

The decentralized structure of the statewide network enables each center to deliver services and programs which reflect local markets and business needs. From Miami where services are available in Spanish and Portuguese, to Perry, where counselors "ride the circuit" to insure that rural businesses requesting assistance get it,

the SBDC program is tailored to produce results for the businesses in the local area. Likewise, the existing infrastructure also allows the SBDC to partner with other organizations who have missions to provide specialized assistance, be it defense downsizing/transitioning/contracting, energy conservation, or country specific exporting.

Client letters are attached.

 MODERN DRY CLEANERS

624 SOUTH ORANGE STREET

MADISON, FL 32340

(904) 973-3541

 "WE SPECIALIZE IN SHIRTS"

January 26, 1994

The Honorable Pete Peterson
426 Cannon
House Office Building
Washington, DC 20515

Dear Representative Peterson:

This is to express my concerns over recent information concerning the elimination on the Small Business Administration (SBA) and the Small Business Development Centers (SBDCs) which are funded by the SBA.

The SBDC program is a invaluable source of assistance for potential and existing business owners. The elimination of this business assistance program would mean that small and minority businesses would not have access to this type of assistance.

The SBDC was instrumental in my obtaining a small business loan. I had approached a local bank and had been turned down. I was referred to the SBDC by National Federation of Independent Business (NFIB) owners. I contacted the SBDC and the counselor worked with me in putting together my business plan and loan application. Upon review of the details surrounding my whole situation, I was encouraged to file a complaint against the local bank. During this long process of the investigation, I was so discouraged I wanted to give up on the idea of being able to obtain the capital needed to upgrade my business. The SBDC counselor devoted much time in encouraging me to follow-through with the investigation, which ultimately ended with my business being approved for the loan. Because of this, I have referred other persons to the Center for assistance in start-up, business planning and financing for their business.

Any efforts to cut this program would have such a negative impact on the local economy and the State of Florida in terms of revenue generated and job creation/retention. I strongly encourage you to vote against any proposals to eliminate the Small Business Development Centers.

Representative Pete Peterson
January 26, 1995
Page Two

Thanks for your support and for your continued interest in the people of Florida. Please keep us informed on the status of this important issue.

Sincerely yours,
Mr. & Mrs. K.C. Johnson
Mr. and Mrs. K. C. Johnson
Owners
Modern Dry Cleaners

cc: Representative Dan Miller



Educational Services Institute, Inc.



Post Office Box 6153
Tallahassee, FL 32314-6153
Phone/Fax (904) 575-5900

John M. Davis, Ph.D.
President
Licensed School Psychologist

February 7, 1995

The Honorable Pete Peterson
Member of Congress
426 Cannon House Office Building
Washington, DC 20510

Dear Congressman Peterson:

It is my understanding that there may be another effort by Congress to discontinuing funding of the Small Business Administration program. The purpose of this communication is to express my concern regarding this effort.

I have been a client of the Florida A&M University Small Business Development Center, one of the entities partially funded by the Small Business Administration since 1989. I am employed by the University as an Associate Professor in the area of Educational Leadership and Human Services. During my employment, I became aware of the need to instruct students on passing the various educational tests that have an impact on their educational endeavors.

In 1989, I established Educational Service Institute, Inc. in an attempt to provide the training that would improve the "test scores" of these students. Since organizing this corporation, I have received a variety of services and information from the Small Business Development Center that has allowed me to pursue and succeed in having a positive impact on our clients throughout the state of Florida.

The Florida A&M University Small Business Development Center has counseled me in the following disciplines: (1) Business start-ups, including establishing the corporation; (2) Participation in the Info-Bid (Procurement) System; (3) Marketing the business in order to attract clients that could use our services; and (4) Most recently in preparing a "Business Plan" that will result in expansion of the business.

The purpose of this communication is to request your support in favor of maintaining an adequate funding level for the Small Business Administration. I look forward to your response.

Sincerely,

John M. Davis, President

"Where Your Success Is Assured!"

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Marilyn B. Hughes
President

February 2, 1995

Congressman Pete Peterson
930 Thomasville Road
Tallahassee, FL 32303

Dear Congressman Peterson:

The recent change in fiscal focus in the national government has brought on a significant concern by the small business community in the continued viability of the Small Business Network throughout the United States. The programs that may be subjected to severe budget cuts and lose its ability to continue to support the myriad of inquiries, programs, and information is of utmost importance for the survival for many small businesses as mine.

Small Business Development Center network is a much needed source for us. For some of us it has been the only assistance we could obtain and through the assistance has been our only source of information at times, therefore helping to keep us in business and creating jobs for our areas or surrounding areas.

As a small business person I would like to request that you as our elected representative fight to keep these programs alive.

Sincerely,

Marilyn B. Hughes
Marilyn B. Hughes, President
M.B. Hughes & Associates, Inc.

BLOUNT COUNTY - ONEONTA

CHAMBER OF COMMERCE

227 2nd Avenue E
Post Office Box 87
Oneonta, Alabama 35121

Phone (205) 274-2163

March 9, 1995

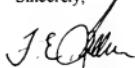
The Honorable Jan Meyers, Chair
House Committee on Small Business
2361 Rayburn House Office Bldg
Washington, DC 20515-6315

Dear Ms. Meyers

The Alabama Small Business Development Centers have effectively served to promote business growth in our state. Nothing observed in the operation of these centers bears any resemblance to a government give away program. Wise investments for the creation of jobs through new business starts have added much to the U. S. economy and have paid attractive dividends on the investments.

Please give careful consideration to this service before arbitrarily eliminating or crippling the programs effectiveness.

Sincerely,



F. E. Bellew
Executive Director

PB/sp



"Your bridge to a brighter tomorrow"

Facsimile Cover Sheet

Arizona Business Gazette

Date: March 14, 1995

To: Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, D.C. 20515

FAX: 202/225-3587

From: Mary Lou Bessette
General Manager
602/271-7373 (Telephone)
602/271-7364 (FAX)

(2 pages) + Cover sheet

The Arizona Business Gazette is the premier small business information provider in Arizona. Please see the following which ran recently about Small Business Development Centers.

Thank you.

One Arizona Center, Suite 900 . 400 E. Van Buren . Phoenix, AZ 85304
P.O. Box 1950, Phoenix, AZ 85001

KEYWELL AND ROSENFIELD

ATTORNEYS AT LAW

FREDERIC L. KEYWELL
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 JAMES P. WHITE
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 NORMAN E. GREENFIELD
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 2301 WEST BIG BEAVER ROAD
 TROY, MICHIGAN 48084

TELEPHONE
 (810) 649-3200
 FACSIMILE
 (810) 649-0434
 ROBERT S. ROSENFIELD
 OF COUNSEL

March 14, 1995

VIA FACSIMILE

Ms. Jan Meyers, Chair
 HOUSE SMALL BUSINESS COMMITTEE
 Room 2361
 Rayburn House Office Building
 Washington, D.C. 20515

Dear Ms. Meyers:

I am writing as a member of the Greater Detroit Chapter of the National Association of Women Business Owners. I am very concerned about continued funding for 3 SBA Programs; the Small Business Development Center Program, Office of Women's Business Ownership, and Women's Technical Assistance. The Office of Women Business Ownership represents more than 8 million women business owners. The WNET program and the Woman's Pre-Qual Loan Program are effective low cost programs that serve the fastest growing segment of the economy. The demonstration projects benefit business owners who are not served by any other public or private organization.

It is extremely important to us that these programs continue to receive funding. We look to you to advocate on our behalf.

Very truly yours,

KEYWELL AND ROSENFIELD


 Lucy R. Benham

LRB:prw
 Enclosure(s)

WOMEN IN BUSINESS

Y • E • L • O • W • P • A • G • E • S

March 14, 1995

Representative Jan Meyers
Chair, House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

Dear Representative Meyers,

I write to tell you that the Small Business Development Center Programs are essential for the growth of my business, and for the growth of other women-owned businesses.

Support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial. If funding to the SBA is cut, business assistance programs will be placed in jeopardy, as will the health of our economy.

The Office of Women's Business Ownership represents more than 8.5 million women business owners. The WNET Program and the Women's Pre-Qual Loan Program are low, cost-effective programs for serving the fastest growing segment of the economy. The demonstration projects are imperative because they serve business owners that are not served by any other public or private organization. Business growth means creation of new jobs. We must support the programs that promote economic self-sufficiency.

Please do not support the proposed cuts to the SBA programs. Continue to support small business programs. We are counting on you to respond positively to this urgent request.

Sincerely,

Ida Blalik, Owner/President

Ida Blalik

7358 N. LINCOLN AVE.
 CHICAGO, IL 60645
 (708) 679-7800
 FAX (708) 679-7845

March 13, 1995

To: Jan Myers
House Small Business Committee

I am sending this FAX to support the work the SBA and the SBDCs do to help small business owners, as well as the programs specifically targeted to women.

The fastest growing segment of the economy is small businesses, with the majority of those being started by women. The programs offered by the SBA provide invaluable service in helping these women start, and succeed, in their entrepreneurial endeavors. As such an important part of the growing economy, I think it would be terrible for these programs that help so many to be stopped. They are supporting a very positive business situation, one of growth and job creation, and a situation that should certainly receive your committee's support.

If there are parts of the programs that can be more efficient, and if the use of funds needs to be targeted even more effectively to where they produce the most direct good, then those are appropriate efforts. To discontinue or to gut these programs would be a very bad decision.

As the publisher of a directory that showcases women in business, I have met hundreds of women making a positive contribution to their communities and the economy. This certainly is something to encourage and support, not walk away from. I hope you will consider these factors when making your decision.

Sincerely,


Barbara Burrier

JAN MEYERS
CHAIR, HOUSE SMALL BUSINESS COMMITTEE
2507 RAYBURN HOUSE
WASHINGTON, D.C. 20515

YOUR SUPPORT OF THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS DEVELOPMENT CENTER'S OFFICE OF WOMEN'S BUSINESS OWNERSHIP AND DEMONSTRATION PROGRAM IS CRUCIAL NOW! BY CUTTING FUNDING TO THE SBA, YOU WILL PLACE MUCH NEEDED BUSINESS ASSISTANCE PROGRAMS IN JEOPARDY AND THREATEN THE HEALTH OF THE ECONOMY.

THE WOMEN'S BUSINESS DEVELOPMENT CENTER (WEDC) IS A CHICAGO BASED PROGRAM WHICH IS SUPPORTED THROUGH THE SBA APPROPRIATIONS FOR SMALL BUSINESS DEVELOPMENT CENTERS (SBDC) AND THROUGH THE SBA OFFICE OF WOMEN'S BUSINESS OWNERSHIP.

OVER 10,000 WOMEN IN THE CHICAGOLAND AREA HAVE BENEFITED FROM THE PROGRAMS AND SERVICES OF WEDC. THE WEDC SERVICES RANGE FROM ONE-ON-ONE CONSULTING TO LOAN STRUCTURING, FROM 4 MONTH ENTREPRENEURIAL TRAINING COURSES TO 2 HOUR REFRESHERS, COURSES AND MUCH MORE. WITH THE HELP AND SUPPORT OF THE DWBDC, THE GROWTH AND STRENGTH OF SMALL BUSINESS OWNED BY WOMEN IS HEALTHY.

MY BUSINESS IS AN INDEPENDENT WHOLESALE SALES REP FOR WOMENS SPORTSWEAR AND ACCESSORIES. I HAVE BEEN IN BUSINESS IN CHICAGO SINCE 1979 AND HAVE BEEN WOHI, INC WITH WEDC SINCE 1991 WHEN THEY ASSISTED ME IN RECEIVING A MICRO LOAN FROM THE CITY OF CHICAGO. THIS LOAN WILL BE PAID IN FULL BY MAY 1995. THEY HAVE BEEN CONSULTING ME ON AN ONGOING BASIS TO HELP ME BETTER MARKET MY PRODUCTS. THIS GUIDANCE HAS BEEN AN INVALUABLE SOURCE OF SUPPORT FOR MY BUSINESS. ALTHOUGH I HAVE OVER 20 YEARS EXPERIENCE IN MY INDUSTRY THEY ARE CONSTANTLY CHALLANGING ME TO EXPAND MY BUSINESS IN AN EVERCHANGING CHALLANGING BUSINESS ENVIRONMENT. I'M SORRY I DIDN'T KNOW ABOUT THEM WHEN I FIRST STARTED!

PLEASE DO NOT SUPPORT THE PROPOSED CUTS TO THE SBA. CONTINUE TO SUPPORT THE WOMEN'S BUSINESS DEVELOPMENT CENTER AND OTHER SMALL BUSINESS PROGRAMS. MY BUSINESS IS ONLY ONE OF MANY THAT HAS RECEIVED HELP FROM THE WOMEN'S BUSINESS DEVELOPMENT CENTER. THE SMALL AND WOMEN-OWNED BUSINESSES IN THE CHICAGOLAND AREA ARE COUNTING ON YOU TO RESPOND POSITIVELY TO THIS URGENT REQUEST.

SINCERELY,

Rebecca Chisholm
REBEKAH CHISHOLM
R.J.C. ENTERPRISES INC.



Integra Bank/Pittsburgh
300 Fourth Avenue
Pittsburgh, PA 15278

Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

Dear Ms. Meyers:

I am writing as a concerned board member of the Greater Pittsburgh Chapter of the National Association of Women Business Owners and the Community Development Manager of Integra Bank/Pittsburgh.

We have received word that specific women's business programs and organizations are in jeopardy of having their funding discontinued by Congress. We are also aware that congressional hearings with respect to the following programs and organizations will commence on March 16th.

These programs include the following:

SBDCs - Small Business Development Centers (University of Pittsburgh, Duquesne University, St Vincent College, Clarion College, St. Francis College and Geneva College). These SBDC provide vital help to small business in their ability to grow. They work with the Business Owners and prospective business owners on developing a business plan. They also are involved in outreach and educational seminars.

OWBO - The Office of Women's Business Ownership in Washington D.C. OWBO represents more than 8 million women business owners across the county. I am sure you are aware that Women Business Owners employ more than the Fortune 500 Companies.

Women's Technical Assistance Programs - such as the Demonstration Program. The Demonstration Program enabled the Pittsburgh Chapter of NAWBO to partner with Chatham College to develop and offer a Business Management Training Program titled "Steps to Success."

The Pittsburgh Region is dedicated to the development of small business. With the loss of the Steel Industry, we experienced massive job losses. Our economic vitality is dependent on the ability to start and grow small businesses. Women Businesses Owners are the fast growing segment of the small business market.

I am aware of the hard decisions this Congress is being forced to make, but consider the unemployment issues we are currently facing. If these programs are cut, many of the women that own businesses or women who were considering becoming an entrepreneur, will not be able to realize their dream. Without the growth of small business, we will not be reduce unemployment and could possibly add to that statistic.

If you wish to discuss this matter further with me, please feel free to contact me at (412) 644-6274.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Cipriani".

Stephanie Cipriani
Vice President and
Community Development Manager

/sac

Coleman Associates

417 Prospect Street, Ste. O •Alton, Illinois 62002-6159 •Voice/FAX 618-465-1545

To: Jan Meyer, Chair
House Small Business Committee
From: Candice M. Coleman, Ph.D.
Owner, Communication and Performance Consultant
Re: House Small Business Hearings
Date: March 15, 1995

Ms. Meyer,

This is to inform you of my deep concerns about the need to continue funding for the Small Business Development Center Program, Office of Women's Business Ownership and Women's Technical Assistance. As a new business owner, I feel that these programs are essential to my growth as I begin to build my business.

As I am sure you are aware, women make up the vast majority of small business owners and that the Office of Women's Business Ownership represents more than 6.5 million of us. In addition, the WNET Program and the Women's Pre-Qual Loan Program are low cost and effective programs for serving this fast-growing segment of the economy.

I have had a variety of careers in my life ranging from professional performer to Associate Professor to small business owner. I must tell you that the most satisfying, as well as challenging, times have been when I have run my own business. Please help me continue to serve my customers and my country in this way by continuing support for these programs which serve business owners in that are not served by any other public or private organization.



March 13, 1995

Jan Meyers
Chair, House Small Business Committee
2941 Rayburn House
WASHINGTON, D.C. 20510
Phone 202 225 5821
FAX 202 225 3587

Re: Funding for the SBA

Dear Chairman Meyers:

Your support of the Small Business Administrations's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial now! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

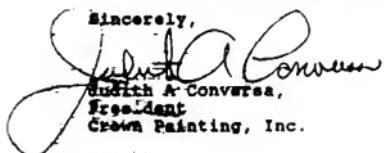
The Women's Business Development Center (WBDC) is a Chicago based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 women from the Chicagoland area have benefitted from the programs and services of the WBDC. The WBDC services range from one-on-one consulting to loan structuring: from 4 month entrepreneurial training courses to 2 hour refresher courses, and much more. With the help and support of the WBDC, the growth and strength of small businesses owned by women is healthy.

My own business was experiencing difficulty in getting paid for work we had completed. I spent a few one on one sessions with Sara Siffrin, one of the fine counselors at WBDC. I got a whole new perspective on how to collect my money and which market I was going to target in the future to insure prompt payment. When you own a small business and do not have a large cash backlog to rely on, believe me collecting what you are owed is extremely important. The people who work at WBDC never make you feel that you are a small business just that you are a business in need of a little advise. Please do not take this fine agency away.

Please do not support the proposed cuts to the SBA. continue to support the Women's Business Development Center and other small business programs. My business is only one of many that have received help from the Women's Business Development Center. The small and women-owned businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Sincerely,



Judith A. Converse,
President
Crown Painting, Inc.

JAC/kb



CROWN PAINTING, INC.
COATING APPLICATIONS

PNC Bank Corp.
Pittsburgh, PA 15265

PNCBANK

The Honorable Jan Meyers
Small Business Committee
2357 Rayburn House Office Building
Washington, D.C. 20515

Dear Madam Chairwoman:

The Small Business Development Centers (SBDC) which have been partially funded by the Small Business Administration (SBA) have come under increasing budget pressures over the last several years. Because PNC Bank is extremely supportive of the role in which the SBDC's assist small business, we are seeking your support to continue funding of the SBDC's.

Locally, we are fortunate to have several SBDC's operating in our market area. They are of tremendous value to small business. Our loan officers quite frequently refer potential small businesses which don't know how to begin. We also receive many loan requests with good ideas but are inadequately prepared. Some companies in business could be experiencing some problem where a SBDC counselor provide ideas and assistance.

Many of these individuals cannot afford or do not understand the need to hire a consultant or an accountant to provide advice or prepare a business plan. But many are willing to seek the free financial counseling offered by the SBDC's. Frequently, the SBDC's provide services beyond what could be expected from an accountant.

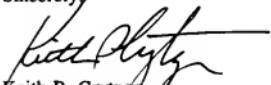
One very valuable service is that the SBDC's tend to screen out many individuals naive about what is necessary to operate a successful business. SBDC's function to educate an individual before their life savings have been unwisely spent on ill conceived premises. Besides counseling on how to start a business, SBDC's also provide counseling and seminars on how to understand financial statements, exporting, home based businesses, and other topics of business interest. Since the SBDC's also tend to be aware of various local, state, and federal loan programs, this is another valuable resource for small business.

Funding for the SBDC is only partially funded by the federal government through the SBA. Since the SBA's name is well associated with the SBDC's, it would seem that federal funds are being well leveraged to obtain funds from other sources.

To show PNC's support when state funding to SBDC's was reduced, we have provided grants to permit Duquesne University's SBDC "outreach" center in Beaver County to remain open. This is a high unemployment area outside of Pittsburgh where it was felt that it was critical to be located within the community in order to reach those displaced workers considering starting their own business.

Your support of this successful and needed program would be most appreciated.

Sincerely,



Keith P. Cryzner
Senior Vice President
Small Business Banking
412-762-2414



March 6, 1995

The Honorable E. (Kika) De La Garza
U.S. House of Representatives
Longworth House Office Bldg., Rm. 1401
Washington, D.C. 20515

Re: Funding for Small Business Development Centers

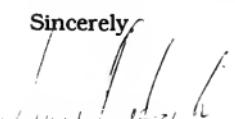
Dear Rep. De La Garza

I appreciate this opportunity to seek your support for continued funding of the Small Business Development Center (SBDC) program which is a project of the Small Business Administration.

I support your efforts in Washington to control the federal deficit and strongly urge you to consider using this program as a model which all others should follow. The South Texas SBDC receives only 37% (\$1.345M) of its total cost from the federal government, the remaining 67% (\$2.1) is from state and local matching. I feel that the SBDC program is the most effective, responsive and flexible system available and that other programs with similar or overlapping objectives should be consolidated into its mission.

Again, Rep. De La Garza thank you for your diligence in this matter and please feel free if we can be of any further assistance.

Sincerely,


Anne DeKoch
President

cc: John Kasich, Chair of the House Budget Committee
Jan Meyers, Chair of the House Small Business Committee

Marcia Diane Studios

P.O. Box 3882, Chandler AZ 85244-3882 phone & fax (602) 821-0639

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ONE PAGE FAX to: Jan Meyers, fax: (202) 225-3587, phone: (202) 225-5821

URGENT!!!

March 13, 1995

Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

Dear Ms. Meyers,

I understand that funding for small business development programs are in jeopardy of being cut. **THESE PROGRAMS ARE VITAL TO THE SUCCESS OF MANY SMALL BUSINESSES.** Since small businesses now employ more people than the Fortune 500 corporations (at least in AZ), in the future of our changing business milieu, eliminating the services provided by SBDC Programs spells death to today's family breadwinners.

My business (of one person) benefited greatly from business and marketing consultation received at Rio Salado Community College Small Business Development Center. The services received were first rate, practical and valuable. I cannot afford to pay for professional consultation, which can easily cost \$500.00 or more. Being laid off from a lucrative job as a designer in the dying defense industry forced me to start my own business using all the artistic expertise I had developed over the years. All my money goes into start up expenses. Buying a computer, software and support costs as much as a car. I have had no business training, yet I have two children of my own and three others of my husband's to support. Downsizing of the defense industry and of corporations in general impacts us greatly. Doors slammed shut on captive employees, opening doors of opportunity to new entrepreneurs.

Please fight to save SBDC programs. They are vital to the success of millions of new and small businesses such as mine. They are excellent programs. Please don't allow our government to be penny wise and dollar foolish. Our businesses support families, pay taxes, invigorate the economy. What is the alternative? Go on welfare?

Many of my sister and brother entrepreneurs are too busy keeping their heads above water to take the time to write. Its a drain on my time, but I believe so strongly in these programs. Please hear our plea. **SBDC PROGRAMS ARE VITAL TO THE SUCCESS OF SMALL BUSINESSES. Please help save them.**

Sincerely,

Marcia Diane



8830 N. Milwaukee Ave. • Niles, IL 60714
Phone: 708-297-4200 • FAX 708-297-6923

PATRICIA EWERT
President and
Chief Executive Officer

March 15, 1995

Jan Meyers
Chair of the House Small Business Committee
Room 2361 - Rayburn House Office Building
Washington D.C. 20515

Dear Ms. Meyers,

I am the owner of Joseph Electronics. We are a broad-line distributor of test equipment, electronic components, wire, chemicals, connectors, and tools. We also sell two-way radios, PA systems, speakers and security cameras. We have a value added department that builds specialized battery packs, cable assemblies and wire harnesses. We are a great place for Surface Mount Technology, soldering and desoldering devices. Joseph Electronics is also the third largest national distributor of direct replacement parts for Sony and Panasonic.

My company was the recipient of the 1994 Women Business Owner of the Year award from the National Association of Women Business Owners.

As a women business owner I support the continued funding of the following three SBA Programs:

The Small Business Development Center (SBDC) Program
The Office of Women's Business Ownership
The Women's Technical Assistance Program

These programs are important to my company's growth. Without programs such as these, my company would not have developed into a successful business.

Sincerely,
Patricia Ewert

Patricia Ewert
President/CEO

Joseph Electronics is a family of professionals dedicated to distributing superior quality products, service and technological solutions with integrity to the installation, maintenance and repair markets of the electronics industry for the long term mutual benefit of our customers, vendors and each Joseph employee.



FLINCHUM CONSTRUCTION COMPANY, INC.
P.O. BOX 13750, ALBUQUERQUE, NEW MEXICO 87182
(505) 289-3467 FAX (505) 289-2022

March 14, 1995

Honorable Congresswomen Jan Meyers
Chairman of the House Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515-6315

Dear Honorable Congresswoman Jan Meyers,

I am the President of Flinchum Construction Co., Inc., a minority-owned firm located in Albuquerque, New Mexico. Flinchum Construction Co., Inc. is mainly involved in the construction industry. We employ 50 people in the state of New Mexico. One of the major sources of our business is contracts performed for the federal government.

I am writing to urge your active support for federal government business development programs for minorities and women. I am concerned that the current attack on affirmative action may include these necessary and valuable programs. As you may know, these programs help companies, such as Flinchum Construction develop infrastructure and capital necessary to compete with larger firms.

More importantly, unlike the much maligned "quotas" or "handout" programs, federal government business development programs for minorities and women do not give anything away. A company is not "entitled" to contracts simply because it may be owned by a minority or woman. Rather, in order to obtain contracts under these programs, companies must compete with other similarly situated companies or market their capabilities for particular contracts. In either case, contract awards are not guaranteed.

These business development programs are economically sound. They require minimal outlays of federal funds. Moreover, the returns to the economy in terms of increased productivity and fostering the development of small businesses greatly outweigh any expenditures. In addition, competitions ensure that the government receives the highest quality of services and goods.

In short, federal government business development programs offer only positive returns for the American public. In addition, as a result of these programs, Flinchum Construction has been able to benefit the community, fostering employment of minorities, serving as a role model and providing work study programs for our employees. Therefore, on behalf of Flinchum Construction, we strongly urge your support of these important programs. We will be calling you in the next few days to follow up on this request.

Sincerely,

James L. Flinchum
James L. Flinchum
President



March 13, 1995

The Honorable Jan Meyers
Chair, House Small Business Committee
2303 Rayburn House Office Bldg.
Washington D.C. 20515

Dear Representative Meyers:

It is our understanding that the Small Business Development Centers' (SBDC) funding is in jeopardy of being eliminated from the Appropriations Bill in an effort to balance the budget. We would greatly appreciate your support and effort to maintain the funding of the SBA programs and centers. In our small, rural areas they are a great service to our small businesses. Without the SBA funding, our SBDC programs could not provide the services gravely needed in our area. In fact, SBA funding represents 25% of the SBDC budget.

It is essential we maintain the current service level of the SBDC's in an effort to facilitate the proliferation of small businesses, the lifeblood of our country. In 1993, SBDC clients created 3,016 full-time jobs. Not only does the SBDC help create jobs, they assist businesses when the going gets rough, and help them survive the economic challenges they confront.

The Lincoln City Chamber of Commerce works closely with the Small Business Development Center to ensure a healthy economy in our area. Although we share similar goals in promoting our business community, the SBDC has the expertise in staff and SBA support that is essential in educating new businesses and entrepreneurs to succeed. Their success is our success. Every business and individual who succeeds in becoming an economic partner in our community through SBA and SBDC assistance is a success for the State of Oregon as well as the country. Driven by small business, it is essential the SBA and SBDC's maintain their funding level.

Thank you in advance for taking measures to maintain SBA funding in the Appropriations Bill. We appreciate the complexity of balancing the budget, and are confident you will do your best to represent your small businesses.

Sincerely,

Barbara Jenkins-Gibson
Barbara Jenkins-Gibson
President

LAS/BJG

Goode Computer Service, Inc.

216 Manor Terrace
Landover, MD 20785



March 16, 1995

Testimony of
Lavern Butler Hicks
President, Goode Computer Service, Inc.

My name is Lavern Butler Hicks and I am President of Goode Computer Service, Inc. located in Landover, Maryland. My company provides microcomputer repair and maintenance services, Local Area Networks installation and maintenance as well as other computer related services.

I could spend an entire day singing the praises of the Small Business Administration (SBA) and the services it has provided to our company over the last four years, but I come here today to specifically speak about the Service Corps of Retired Executives, better known as SCORE.

Goode Computer Service was founded in 1989 by my husband, Earl Benjamin Hicks, who currently serves as the Vice President and Technical Manager. He envisioned an entity that would not only provide an income for our family but would extend employment and training to the surrounding community that lacks economic development.

We learned about SCORE through the Small Business Startup Kit provided by SBA. We first met with Joe Casamento, our SCORE rep, in 1990 at Prince George's Community College. He challenged us as to why we wanted to be in business and what we were prepared to do to make it succeed. We were impressed with the one-on-one counseling the program offers, along with the idea of working with someone who has hands-on experience.

Joe Casamento advised us to be realistic about what we were about to undertake because so many people start businesses with pie-in-the-sky ideas of becoming rich and if this was in fact our position he advised us to forget it. He then stated "If you are interested in earning a good living that is controlled by your efforts, you can succeed in time". He advised us about writing a business plan, choosing a lawyer and an accountant and determining our corporate structure. He challenged us as to who we expected to sell our services to and to develop competitive pricing. He advised us to speak with Small Business Specialists at various government agencies. And we set about doing just what he told us to do.

Each year we made progress and we scheduled another appointment. Mr. Casamento critiques everything from our business cards to our Capability Statement. And we would insist on receiving a grade for our efforts. Each step he told us to take we took. Finally in August of 1993 he told us we were ready apply for 8(a) certification. Mind you, we inquired about it early on; however he advised us that we were not ready. We had no line of credit; we had no track record and little knowledge of the federal government procurement process, but as time went on through due diligence and encouragement from our SCORE rep and Procurement Center Representatives like Rhonda Anderson, James West and Reginald Holloway we are able to consider ourselves a success story. These representatives individually counseled over 300 firms per year and the numbers keep growing.

We are not a million dollar corporation by any means. However we have had steady growth over the four years we had been in business prior to 8(a) certification and because of what we have learned through SCORE we will continue to stay in business after 8(a) graduation. Because of SCORE we have learned to compete for the federal dollar on the open market which will ensure the strength of our company after 8(a) graduation.

SCORE has provided counseling to over 164,00 clients in the last fiscal year alone with a small budget of \$3.5 million. These funds are used to service the entire country. The counseling we have personally received from SCORE is worth much more than we could ever afford to pay and it only costs the taxpayer \$3.00 per hour which is less than minimum wage.

Preventive Maintenance Specialists
(301) 336-9360
FAX (301) 499-5315



I urge your Committee to take a long hard look at the small business community and understand that we are the hope in a hopeless situation. Data from the U.S. Bureau of Census shows that the nation's smallest firms those with 0 to 4 employees created virtually all the new jobs between 1989 and 1991. The smallest businesses created 2.6 million new jobs while large companies (500 or more employees) created 122,000. All other business size classes lost jobs.

With legislation being drafted to downsize government, cut social programs such as welfare and anything else it can get its hands on that service poor people, it would beboove you to ask yourselves this very important question, "Who will provide jobs for these people?". The answer is small business.

I beseech you to consider an increase in the services provided to the small business community. Only by keeping the Small Business Administration alive and well to service up and coming businesses that will provide jobs to those who will be effected by new legislation can we ensure employment for the future.

As a representative of the small business community I would like to extend our appreciation for all that SCORE and the Small Business Administration have done to ensure our success.

Faze II FASHIONS

Sue Hurliman, Owner

401 Main Avenue, Tillamook OR 97141
Phone (503) 842-9218

Representative Jim Bunn
House of Representatives
1517 Longworth
Washington, D.C. 20515

Dear Representative Bunn:

It has come to my attention that the Tillamook Bay Community College Small Business Development Center is in jeopardy of losing at least 25% of their federal funding, which comes from the Small Business Administration.

The SBDC is a very important program to our community and to me and my business. The impact of SBDC losing this funding would mean closure, and an end to a valuable service to the Tillamook Business community.

My personal experience with the SBDC is they provide an on going education of the how to's of running a small Business examples are the customer service, how to detect shoplifting, accounting, letting us know the things that are expected of us under the law, etc.. I could go on and on, the many services that are provided to a small business that are up and running, not to include the businesses they help get started.

Sincerely,

Sue Hurliman, Owner
Faze II Fashions

c: Jan Meyers, Chairperson
House Small Business Committee



CABLE COMMUNICATIONS, INC.

Ms. Jan Meyers, Chairperson
 House Small Business Committee
 Room 2361, Rayburn House Office Building
 Washington, D.C. 20515

Dear Ms. Meyers,

As an owner of a WBE electrical contracting firm, I am writing in regards to the possible elimination of funding for the Small Business Development Center program, the office of Women's Business Ownership, and the Women's Technical Assistance program, specifically the Demonstration program. It's mind boggling to me that funding for programs that have been proven to be successful and have withstood the test of time would be purged.

The Women's Technical Assistance program, specifically, the Demonstration Program, serves those who are not served by any other private or public organization. Why would the Federal Government focus on this small portion of society to punish?

The Small Business Development Centers are essential to small business growth and economic development in Illinois. Is America's objective to victimize small business, while the conglomerates and multi nationals are out of control? We must promote small business not obliterate it. Please support the continuation of these programs that support small business in America.

Sincerely,

Susan L. Hurley
 President

■ THE NATIONAL EDUCATION CENTER FOR WOMEN IN BUSINESS ■
■ SETON HILL COLLEGE GREENSBURG, PA 15601-1599 ■

Ms. Jan Meyers, Chair
House Small Business Committee
Room 2361, Rayburn Bldg.
Washington, D.C. 20515

Dear Ms. Meyers,

The National Education Center for Women in Business (NECWB) at Seton Hill College wishes to underscore the importance of continued funding for The Small Business Administration's Office of Women's Business Ownership (OWBO).

The OWBO is essential to the continued growth and development of women business owners in this country as it carries out its work to assist the increasing number of women entrepreneurs, including those with established firms and those interested in starting a business.

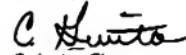
The SBA's Office of Women's Business Ownership provides extensive resources, both within the government and in the private sector, to women entrepreneurs. In cooperation with local SBA offices, OWBO offers a wide range of programs including pre-business workshops; "Access to Capital" conferences; and technical and financial guidance and support which have proven to be invaluable to the success of women-owned businesses throughout the United States.

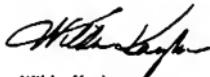
Statistics confirm the impact women business owners are having on the American economy. Five years ago, 32.2% of all proprietorships were owned by women. Today, women-owned business employ more workers than the Fortune 500 companies combined. And, by the year 2000, women are expected to own half of all businesses in the United States.

At a time when tremendous strides are being made by women entrepreneurs, it is critical that we maintain this momentum through the valuable contributions of the SBA's Office of Women's Business Ownership and urge your positive action in this regard.

Thank you for your continued support of women entrepreneurs as a major contributor to our country's economy and future.

Sincerely,


Catherine Giunta
Transition Consultant


Wilda Kaylor
Transition Coordinator



Old Kent Bank
Sears Tower
Chicago, Illinois 60606-6396

Commercial Banking Department
(312) 876-4200

Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, D. C. 20515

Dear Ms. Meyers,

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial now! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

The Women's Business Development Center (WBDC) is a Chicago-based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 small business owners from the Chicagoland area have benefitted from the programs and services of the WBDC. These services range from one-on-one consulting to loan structuring; from 4 month entrepreneurial training courses to 2 hour refresher courses; access to capital; and much more. With the help and support of the WBDC, the growth and strength of small businesses is healthy.

At Old Kent Bank, the WBDC has filled a much needed void by providing technical assistance to small business owners. Without their help, we, at the bank, would not have been able to process many of the requests received by various entrepreneurs. The WBDC has been able to help individuals prepare business plans and has helped provide managers with insight into all financial aspects of their businesses. It would be a shame to have such an organization cut back or dissolved especially when it provides such a vital service not only to small business, but to the financial community as well.

**OLD
KENT**

Please do not support the proposed cuts to the SBA. Continue to support the Women's Business Development Center and other small business programs. Small businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Sincerely,

Christine M. Obbagy-Hearn

Christine M. Obbagy-Hearn
Vice President
Commercial Department

cc. Paula Carlin



March 13, 1995

FAX SENT

Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, D.C. 20515

Dear Ms. Meyers,

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial now! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

The Women's Business Development Center (WBDC) is a Chicago-based program which is supported through the SBA appropriations for Small Business Development Center (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 women from the Chicagoland area have benefited from the programs and services of the WBDC. The WBDC services range from one-on-one consulting to loan structuring; from 4 month entrepreneurial training courses to 2 hour refresher courses, and much more. With the help and support of the WBDC, the growth and strength of small businesses owned by women is healthy.

Through the WBDC, I was able to obtain financing to re-locate and expand my business. I purchased my own building and employed dozens of laborers in the rehab of the building. My newer and larger facility is now able to employ many more people who will contribute to the economy.

Please do not support the proposed cuts to the SBA. Continue to support the Women's Business Development Center. My business is only one of many that has received help from the Women's Business Development Center. The small and women-owned businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Sincerely,

Kathryn Kozan
Kathryn Kozan
Owner, Kozan Studios

KK:cc

KOZAN STUDIOS 808 W. LAKE ST., CHICAGO, IL 60607 PH: 312/733-3300 (FAX: 312/733-3308)

March 10, 1995

Jan Myers, Chair
House Small Business Committee
Room 2361, Rayburn House Office Building
Washington, DC 20515

Dear Ms. Myers,

It has come to my attention that a meeting will be held the week of March 16 in reference to continued funding for such programs as:

Small Business Development Center
SBA Office of Women's Business Ownership
Women's Business Assistance Center

I must now speak up on behalf of these programs for minority business owners. I as a Woman owned, native American Indian, Small Business have greatly benefited from these programs. I received great knowledge from the WBAC and the SBA office here in Mobile, AL. They sent me into directions that helped me market my new business. I also participated in a local minority business trade fair, and received several leads that turned into profit for my business.

I feel, without the continued funding for these organizations, that Minority and Small Business Owners will be hurt. I think the current government official slogan is to get back to Family Values, well without such programs as these, the these values are left behind. This Country is in business to help each other, and if these programs have helped others, as well as myself, that that is part of the American Heritage to help one another.

We all want to improve the economy, and programs like these, help small business grow and to employee more workers, which inturn improves unemployment.

Thank you for taking the time to listen

Maria Davis
Telephone Services
Mobile, AL



Post Office Box 582
Jeffersonville, Indiana 47131-0582
Telephone (812) 256-4249

3/12/95

JAN MEYERS, CHAIR
House Small Business Committee

ROOM 236.1

RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

DEARS MS. MEYERS:

ON MARCH 16 YOU WILL BE HOLDING HEARINGS ON CONTINUED FUNDING FOR 3 SBA PROGRAMS. THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM (SBDC), OFFICE OF WOMEN'S BUSINESS OWNERSHIP, AND WOMEN'S TECHNICAL ASSISTANCE, SPECIFICALLY DEMONSTRATION PROJECT PROGRAMS.

THE SBOC PROGRAMS ARE IMPORTANT FOR MY BUSINESS GROWTH. THE OFFICE OF WOMEN BUSINESS OWNERSHIP REPRESENTS MORE THAN 8 MILLION ~~ALL~~ WOMEN BUSINESS OWNERS, AND THE WNET PROGRAM AND THE WOMEN'S PRE-QUAL LOAN PROGRAM ARE LOW COST/EFFECTIVE PROGRAMS FOR SERVING THE FASTEST GROWING SEGMENT OF THE ECONOMY. THE DEMONSTRATION PROJECTS ARE BUSINESS OWNERS THAT ARE NOT SERVED BY ANY OTHER PUBLIC OR PRIVATE ORGANIZATION.

I TALKED TO US THAT THE REPUBLICANS ARE PRO-BUSINESS FOR THE LITTLE GUYS AND GALS WHO ARE STRUGGLING TO CATCH-UP AGAINST WE WERE REPORTEDLY NOT JUST PRO-BIG BUSINESS. VOTE IN FAVOR OF CONTINUED FUNDING FOR THESE 3 SBA PROGRAMS!

Susan B. Sanders

GRS

Information

Management

Post Office Box 885

Mobile, Alabama 36601



FAX

To: Jan Myers		From : Glenda R. Snodgrass
Fax Number : 1-202-225-3587		Subject : SBA funding
Date : 3/10/95	Time : 17:17:36	

Jan Myers, Chair
 House Small Business Committee
 Room 2361, Rayburn House Office Bldg.
 Washington, D.C. 20515

Dear Ms. Myers:

With respect to the proposed cuts in funding for SBA programs targeted at assisting small business owners and particularly women business owners, please allow me to express my concern about these proposed cuts.

I have benefited greatly from the expertise given me in private counseling and open workshops and seminars sponsored by the Women's Business Assistance Center and the Small Business Development Center, both programs in Mobile which are partially funded by special SBA funds.

It is exceedingly difficult for the small business owner to get started, and the counseling and assistance provided by these projects are invaluable. As you no doubt are aware, small business growth is a major component of the American economy today and in the projected future. Counseling for the small business owner is essential for furtherance of this growth.

Please do not cut these programs!!

Sincerely,

Glenda R. Snodgrass

PLEASE CALL (205) 433-4623 IF THIS TRANSMISSION IS FAULTY.

BRUMMETT AGENCY, INC.
4036 TELEGRAPH ROAD Suite 4
BLOOMFIELD HILLS, MI 48302
810-540-4460
FAX 810-540-4463

Date: March 11, 1995

To: Jan Meyers
House Small Business Committee Chair

Re: SBDC
Hearings

Dear Jan:

On behalf of women business owners and as the Treasurer of the Greater Detroit Chapter of the National Association of Women Business Owners I implore you to continue to fight for funding of SBDC. This is absolutely essential to women business owners.

The SBDC serves the fastest growing segment of the economy and the programs offered are not duplicated by any other commission or group.

Please continue this worthwhile committee for the sake of all women business owners and their advocates.

Sincerely,



Mary M. Williams
President
Brummett Agency, Inc.



Eye-Dye

Eye-Dye
2906 N. Davis Highway
Pensacola, FL 32503

The Honorable Jan Meyers, Chair
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6312

Dear Madam Chairwoman:

We just learned that funding for the Small Business Development Center (SBDC) and the Japan Trade Expansion Center (JTEC) is being cut. This concerns us greatly. We certainly do not want funding reduced for a program that helped us make over \$1 million dollars in sales in 1994.

We are a small tie-dye manufacturer in Pensacola, Florida. Our gross sales last year were \$2.6 million. When we first started exporting to Japan, we knew very little about this market, and were directed to JTEC by the SBDC, who initially helped us write our business plan. The JTEC helped us learn how to meet and deal with Japanese customers; additionally, our first contact with this market was through a mission sponsored by the JTEC. We currently have more than 50 customers and leads generated through the efforts of this program. Obviously, this is something that works, and we request strongly that funding for both the SBDC and JTEC not be cut.

Please let Representative John Kasich, Chairman of the House Budget Committee, know our feelings on this matter. Also, if you would, please let us know what your position is on this budget cut.

Thank you,

Vic Hotopp

Vic Hotopp
Sales and Marketing Manager
Eye-Dye



Upstairs at the Harris

Harris Trust and
Savings Bank

111 West Monroe Street
P.O. Box 755
Chicago, Illinois 60690

Telephone (312) 461-2121

Private Banking Group

March 14, 1995

Ms. Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, D.C. 20515

re: Funding Cuts

Dear Ms. Meyers,

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

The Women's Business Development Center (WBDC) is a Chicago-based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 small business owners from the Chicagoland area have benefited from the programs and services of the WBDC. These services include one-on-one consulting on business matters such loan structuring and financing; a two and four month entrepreneurial training courses; access to capital through innovative loan programs including the WBDC's own Bank Loan Program; and much more. With the help and support of the WBDC, the growth and strength of small businesses will continue to develop.

Harris Trust and Savings Bank has worked with the WBDC for many years. In the past two years, the WBDC has assisted Harris Bank in funding over \$1.2 million in loans to women owned businesses.

Please do not support the proposed cuts to the SBA. Continue to support the Women's Business Development Center and other small business programs. Small businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Very Truly Yours,

Marguerite M. Lawless
Vice President
Telephone: (312) 461-2746
Facsimile: (312) 461-4092

Wholly owned subsidiary of Harris Bancorp, Inc.

NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS



p.o. box
2026
del mar
california
92014

telephone
619-685-7131
facsimile
619-259-7521

FAX MEMORANDUM

Board of Directors:

*President:
Claudia T Laird
259-7338*

*Vice Presidents:
Janie Emerson
755-5224*

*Secretary:
Barbara Young
455-5266*

*Treasurer:
Penelope Farrelle
531-0070*

*Public Relations:
Karen Lader
234-1551*

*Corporate Relations:
Corrie Pruse
541-9433*

*Membership:
Pamela C. Means
696-7284*

*Programs:
Laini Henry
685-4000*

*Community/Government Affairs:
Karen Huston Canoff
696-6911*

*Plus President:
Mary Dempsey
296-6363*

TO: **Jan Meyers, Chair,
House Small Business Committee**

FAX: **202 225-3587**

DATE: **March 13, 1995**

FROM: **Claudia T. Laird, President
San Diego Chapter of NAWBO**

I am writing to let you know how important the SBDC programs have been and should continue to be, for small business growth.

This country needs good business growth and the government should not be cutting back on programs that help produce needed employment

N

A

W

B

O

A MEMBER OF LES FEMMES CRÉATRICES D'ENTREPRISES MONDIALES



SECRETARIAL & SUPPORT SERVICES

P. O. Box 653
Montrose, AL 36559
(205) 928-6878; fax (205) 928-6875

Jan Myers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

Dear Ms. Myers:

I am a small business owner in Baldwin County, Alabama - the fastest growing county in the state - and after two years in business now have, this second year, doubled my net income.

I give you this information not only because I am quite proud of it but, more importantly for the purpose of this letter, to unequivocably state that I have received invaluable training and services offered by the Women's Business Assistance Center in Mobile as well as the Small Business Development Center at the University of South Alabama also in Mobile without which I may not have been able to accomplish this.

I have felt extremely fortunate and thankful to have their services available to me (no question or issue is too small or trivial and the programs are "right on the mark" and very informative and helpful) and am quite upset to hear that their funding may be in jeopardy.

Since I believe so strongly in the value of their services, I recommend them to any and all women I come into contact with at my business - and that is quite a few - since I have a secretarial service (OUTSIDE OF MY HOME) and numerous entrepreneurs and other business people come through my doors.

Quite frankly, most of the people in this area are just starting to learn of these resources that are being threatened. These programs need to be made stronger, not cut!

Again, it looks like "small business" is getting the short end of the stick while big business just keeps on getting subsidies, tax breaks and the kind of support that should be directed to the fastest growing segment of the economy - **SMALL BUSINESS** - which is currently providing the greatest number of new jobs! Truthfully, it's enough to make small businesses close up and then where would our country be?

I implore you to *think before you act - and consider every angle of this issue.*

Sincerely,

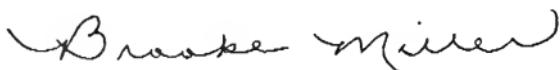
Debra L. Maples
A Small Business Owner

TO: JAN MEYERS, CHAIR
HOUSE SMALL BUSINESS COMMITTEE

THE SBDC PROGRAMS ARE IMPORTANT FOR THE GROWTH OF BUSINESSES. THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP REPRESENTS MORE THAN 8 MILLION WOMEN BUSINESS OWNERS AND THE WNET PROGRAM AND THE WOMEN'S PRE-QUAL LOAN PROGRAM.

THE DEMONSTRATION PROJECTS ARE ASSISTING BUSINESS OWNERS THAT ARE NOT SERVED BY ANY OTHER PUBLIC OR PRIVATE ORGANIZATION.

SINCERELY,



BROOKE MILLER
ST. LOUIS CHAPTER OF NAWBO

March 15, 1995

Jan Meyers
Chair House Small Business Committee

Dear Jan:

Sir Speedy

Printing

Copying

Graphic Design

Digital Network

As a business owner I would like to stress how important I feel your vote is on March 16 regarding the Small Business Development Centers (SBDCs), the demonstration sites across the United States, the offices of women business owner services, and other SBA funded small business programs. You are in a position to help retain these programs and I hope you will.

In the course of my business years I have been fortunate enough to have access to the services of both the SBDCs and the offices of women business owner services. I believe the vitality of my current business is directly attributable to the help I have received from these entities. I am also very involved in the small business community and often refer other small businesses to the SBA programs.

I'm sure that you are aware that small business (in particular women owned businesses) is one of the fastest growing segments in our current economy. Much of that growth can be attributable to the information and capital access these various SBA programs provide. Without the risk-sharing these programs offer, banks would still be reluctant to provide financial backing for many of the small businesses that are vital to our economy.

I hope you will support continued funding of these programs. They're valuable, they have been successful, which in return is continuing to contribute to our nations economy. Your support of these programs is crucial.

Sincerely,

Bonnie Nawara
Bonnie Nawara
Owner-Sir Speedy Printing Center

125 Monroe Center N.W.

Grand Rapids, MI 49503

616 235 2042

Fax 616 235 7517



Petty & Associates, Inc.
"A Woman Owned Business"

MARCH 13, 1995

JAN MEYERS, CHAIRPERSON
HOUSE SMALL BUSINESS COMMITTEE
ROOM 2361
RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

DEAR JAN:

I WANTED TO EXPRESS MY CONCERN OVER THE POSSIBLE LACK OF FUNDING FOR THE SBDC PROGRAMS. THESE PROGRAMS ARE VERY IMPORTANT FOR MY BUSINESS GROWTH.

THE OFFICE OF WOMEN BUSINESS OWNERSHIP REPRESENTS MORE THAN 8 MILLION WOMEN BUSINESS OWNERS. THE WNET PROGRAM AND THE WOMEN'S PRE-QUAL LOAN PROGRAM ARE LOW COST EFFECTIVE PROGRAMS FOR SERVING THE FASTEST GROWING SEGMENT OF THE ECONOMY. THE DEMONSTRATION PROJECTS ARE BUSINESS OWNERS THAT ARE NOT SERVED BY ANY OTHER PUBLIC OR PRIVATE ORGANIZATION.

PLEASE DO ALL YOU CAN FOR US, THE SMALL WOMEN BUSINESS OWNERS, ON MARCH 16, 1995.

THANK YOU,


PETTY AND ASSOCIATES, INC.
SUZIE PETTY, PRESIDENT



Upstairs at the Harris

Harris Trust and
Savings Bank

111 West Monroe Street
P.O. Box 755
Chicago, Illinois 60690

Telephone (312) 461-2121

Private Banking Group

March 14, 1995

Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, D.C. 20515

re: Funding Cuts

Dear Ms. Meyers,

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

The Women's Business Development Center (WBDC) is a Chicago-based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 small business owners from the Chicagoland area have benefited from the programs and services of the WBDC. These services include one-on-one consulting on business matters such loan structuring and financing; a two and four month entrepreneurial training courses; access to capital through innovative loan programs including the WBDC's own Bank Loan Program; and much more. With the help and support of the WBDC, the growth and strength of small businesses will continue to develop.

Harris Trust and Savings Bank has worked with the WBDC for many years. In the past two years, the WBDC has assisted Harris Bank in funding over \$1.2 million in loans to women owned businesses.

Please do not support the proposed cuts to the SBA. Continue to support the Women's Business Development Center and other small business programs. Small businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Very Truly Yours,

Judith M. Phillips

Judith M. Phillips
Senior Vice President
Telephone: (312) 461-5079
Facsimile: (312) 461-4092



March 14, 1995

The Honorable Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

Sent by facsimile: 202/225-3587

Dear Representative Meyers:

As President-Elect of the Greater Detroit Chapter of the National Association of Women Business Owners, I am a supporter of the Small Business Development Center (SBDC) Program, the Office of Women's Business Ownership and Women's Technical Assistance and urge your support for their retention.

After two years of concentrated work, the State of Michigan—in conjunction with NAWBO, the SBA and the EXCEL training and development organization (originally an SBA demonstration project for new, existing and emergent women business owners)—published its first survey of women business owners in the state. We utilized the SBDCs across the state as a key way to reach women business owners. I recognize some centers' quality could be improved, but they are particularly useful and valued where large universities are not nearby and where urban centers do not offer alternative services.

The women-targeted Office and the technical assistance offered by the SBA are unduplicated services in this country. Major learning institutions are not offering the focus on women business owners to the degree they are on minority business enterprises. And, we still need a voice for women business owners in Washington, DC, reminding contractors and legislators that we still are receiving less than 2% of total procurement dollars—the old-boy network continues in good health.

I commend these programs and the Office for continued funding.

Sincerely,

E. Jill Pollock
President

and

Co-Chair, NAWBO White House Conference
on Small Business

Enclosure by facsimile: biography

320 Fisher Building
Detroit, Michigan 48202-3088
Telephone 313 875-2200
Facsimile 313 875-2203

* * * * *
COMBINING HUMAN
RESOURCES MANAGEMENT
WITH ORGANIZATION DEVELOPMENT

1000 Connecticut Avenue, NW
Suite 6
Washington, DC 20036
Telephone 202 857-9423

BIOGRAPHY

E. Jill Pollock

Jill Pollock is President of POLLOCK CONSULTING GROUP, INC. (PCG) of Detroit and Washington, DC. Ms. Pollock's expertise is in working with management teams to accomplish revitalization and relocation objectives, outplacement assistance, organization design and review, communication planning, career path and worker development models, human resources policy and practices design and analyses, and performance system design. Clients have included major public and private-sector organizations.

Ms. Pollock was a founder of The Arbor Consulting Group, Inc., in 1984 and was a principal there until she formed PCG in 1993. Under her leadership, Arbor conducted long-range organization and management reviews consistent with client strategic plans and mission and provided outplacement assistance to numerous employer-designated candidates.

Prior to establishing Arbor, Ms. Pollock was a twelve-year employee of the Ford Motor Company. Her last position was Personnel Planning Manager on the corporate staff, where she designed and recommended policies and procedures to effect intensive and accelerated recruiting, career planning and development of upper middle and senior management in Ford U.S. Ms. Pollock previously held management positions in corporate organization planning and labor relations and in staff and division salaried and hourly personnel administration.

While at Ford, she accomplished two notable "firsts": she designed, developed and implemented the first comprehensive outplacement program with bridging benefits in the auto industry. And, she served as "main-table" bargainer on the Ford National Negotiating Committee during the 1982 Ford-UAW contract talks, the first management woman in the auto industry to have been selected.

Ms. Pollock's activities outside work have included membership on the Michigan Employment Security Advisory Council and the Basic Employability Skills Task Force, appointed to both by the Michigan Governor; chair of the President's Cabinet Executive Committee for the University of Detroit Mercy; co-chair of the Michigan Women's Hall of Fame Advisory Committee; board member of the Michigan Cancer Foundation and Michigan Women's Studies Association, Inc.; President-elect and Long-range Planning Chair of the Michigan Board of the National Association of Women Business Owners (NAWBO); past Vice President-State Legislation and board member of the Small Business Association of Michigan (SBAM); and memberships in many Detroit-area and national professional organizations. She was on the advisory boards of Eastwood Community Clinics and Health Care Professionals. She also is a respected speaker on human resources and organization development matters.

Ms. Pollock was one of sixty delegates from Michigan to the 1988 White House Conference on Small Business. She was appointed by the Michigan Governor to the Steering Committee of the 1988 Governor's Conference on Small Business, to which she also was a delegate and conference structure consultant. Looking ahead, she sits on both the NAWBO and SBAM steering committees for the 1995 White House Conference on Small Business.

Ms. Pollock holds a bachelor of arts degree in personnel management from Michigan State University and a master's degree in business administration from the University of Detroit. She has maintained Top Secret Security Clearance in the Federal Bureau of Investigation.



March 15, 1995

The Honorable Jan Meyers
United States House of Representatives
2303 Rayburn Office Building
Washington, DC 20515

Dear Representative Meyers:

The Women's Business Development Center is writing to urge you to continue to support the Small Business Administration's programs by not allowing proposed cuts to the SBA budget to take place.

Over 18,000 small business owners from the Chicagoland area have benefitted from the programs and services of the WBDC. These services range from one-on-one consulting to loan structuring; from 4 month entrepreneurial training courses to 2 hour refresher courses; access to capital; and much more. Because the U.S. SBA is one of the main supporters of the Women's Business Development Center, proposed cuts could have a drastic impact on our programs and services and on the women business owners we serve.

As a direct result of the SBA, the WBDC has been able to accomplish the following:

- *SBA Loan Programs:* With establishment of the LowDoc, Women's Pre-Qualification Loan Program and the SBA MicroLoan Program, more small, minority and women-owned businesses have been financed this past year than ever before. This past year the WBDC has helped fund 95% more businesses than previous years and 70% of the businesses funded used SBA loan programs.
- *Small Business Development Centers (SBDCs):* The SBA funds SBDCs which provide much needed technical assistance for small businesses. The WBDC is a SBDC and with SBDC funding we have been able to assist over 2,500 prospective and existing small businesses annually through training programs and counseling. Without SBDCs, who would provide the necessary assistance to these emerging business?

- **SBA Demonstration Program:** Through the SBA Demonstration Program, successful women's business assistance programs have been replicated throughout the nation. There are now over 50 different sites in the nation that are offering needed services to women-owned businesses in both urban and rural communities. The WBDC has received SBA funds since 1989 to replicate its programs in 12 other areas of the country. Not only has the WBDC seen these new centers help thousands of women-owned businesses but there has been active cross-sharing of ideas and programs across the nation.

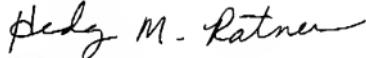
Through the partnership among the WBDC, financial institutions, and the SBA, women-owned businesses have gained access to capital to grow and strengthen their enterprises; however, there is much more that needs to be done.

The WBDC is unable to respond fully to the over 600 calls a month for business assistance because we are lacking important funding and resources. By cutting the SBA's budget, we -- and other business assistance sources similar to us -- stand to lose the majority of the funding we have.

It is crucial that SBA funding continue so that emerging and established women business owners can have access to the information and resources they need. Please do not support proposed cuts to the Small Business Administration's budget.

We understand that decisions in this matter will be made by April 1, 1995 so your urgency on this matter would be greatly appreciated.

Sincerely,



Hedy Ratner
Co-Director

Copy Systems

1121 South Spring St. • Little Rock, AR 72202 • Phone: (501) 376-2679 • FAX: (501) 377-2706

March 14, 1995

Ms. Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Bldg.
Washington, D.C. 20515

Re: Small Business Development Centers

Dear Chairwoman Meyers:

I'm writing to you regarding the Small Business Development Center programs being in jeopardy of losing federal funding. I realize that trimming the budget is of utmost priority, but I am asking that you support the continuation of this program in some form. I agree that bureaucracy reigns at the top of most federal and state programs, and I urge you to cut costs related to red tape, excessive rules and regulations, and duplicate projects as opposed to cutting successful programs altogether.

As a member of the National Association of Women Business Owners (NAWBO), and a leader in our Central Arkansas Chapter, I can tell you that we could not continue this group of volunteer WBO's without the support of our SBDC office. NAWBO along with SBDC has touched just about every WBO throughout the state via support groups, educational seminars and training programs, monthly publications, mentors - the list goes on. It's partnerships like this, all across the country, that spell success for small and start-up businesses.

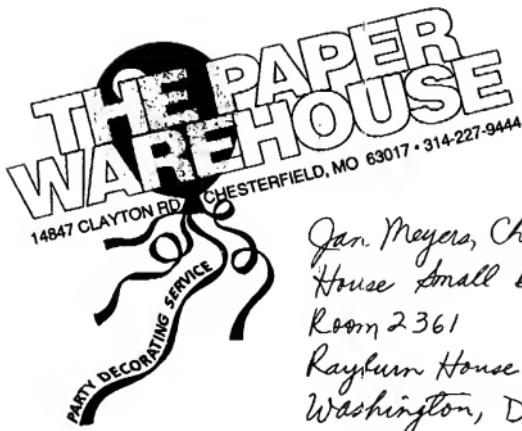
I appreciate your past and future efforts on behalf of small business.

Sincerely,



MaryJane Rebick
Co-owner, Exec. V.P.

MJR/ETV 2700



Jan. Meyers, Chair
 House Small Business Committee
 Room 2361
 Rayburn House Office Building
 Washington, D.C. 20515

Dear Jan,

As a women business owner, I'm very concerned about the federal budget cutting spree the new congress seems so intent on. My concern is that women - from poor ones trying to raise children on low wages - to us women business owners who are trying to help other women entrepreneur start-up businesses through our SBA funded NAWBO demonstration project "Successaway" - are getting the worst of these dramatic budget cuts.

I urge you to do your best to moderate these savage cuts. Sincerely, Ann Ross, Pres
 The Paper Warehouse

March 14, 1995

VIA FAXSIMILE
(202) 226-3567

Ms. Jan Meyers, Chair
HOUSE SMALL BUSINESS COMMITTEE
Room 2361
Rayburn House Office Building
Washington, D.C. 20515

Dear Ms. Meyers:

I am writing as a member of the Greater Detroit Chapter of the National Association of Women Business Owners. I am very concerned about continued funding for 3 SBA Programs; the Small Business Development Center Program, Office of Women's Business Ownership, and Women's Technical Assistance. The Office of Women Business Ownership represents more than 8 million women business owners. The WNET program and the Women's Pre-Qual Loan Program are effective low cost programs that serve the fastest growing segment of the economy. The demonstration projects benefit business owners who are not served by any other public or private organization.

It is extremely important to us that these programs continue to receive funding. We look to you to advocate on our behalf.

Very truly yours,

Murtha K. Rodardson
President
Services Marketing Specialists
Detroit MI

Enclosure(s)

CHRIS RUY'S
COMMUNICATIONS

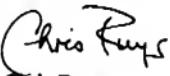
Jan Meyers
FAX 202-225-3587

Dear Ms. Meyers:

I am writing you to voice my support of the three SBA programs which may be terminated, including the Office of Women's Business Ownership.

As a woman business owner who specializes in working with woman-owned businesses, I know firsthand the positive impact of these programs. They contribute greatly to small business growth. I urge the House Small Business Committee to support them.

Sincerely,


Chris Ruys

Meyer, Unkovic & Scott**ATTORNEYS AT LAW**1300 CLIFTON BUILDING
PITTSBURGH, PENNSYLVANIA 15222TELEPHONE (412) 456-2800
FAX (412) 456-2864WRITER'S DIRECT DIAL NUMBER
(412) 456-2882

March 27, 1995

VIA FACSIMILE 202-225-3587

Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, D.C. 20515

RE: Programs to Assist Women and Minorities

Dear Ms. Meyers:

I am writing to urge the continued support by the Congress of SBDC's, OWBO's, and Women's Technical Assistance Programs. I am sure your office is aware that the OWBO represents more than 8 million business owners throughout the United States. Also, I have personal experience with the manner in which SBDC's provide needed assistance to help small businesses grow. My firm is counsel to the SBDC at Duquesne University.

Finally, as a member of Board of Directors of the National Association of Women Business Owners, Greater Pittsburgh Chapter, I am very familiar with the value of the Women's Technical Assistance programs. One such program funded by the SBA is the Pittsburgh NAWBO's own "Steps to Success" business management training program at Chatham College. None of these programs should be allowed to expire since all are needed to fuel the growth of small business in the United States.

sincerely,

Janet L. Sargent
Janet L. Sargent

JLS/lhb

cc: NAWBO office

1322206



National Association of Women's Yellow Pages

P.O. Box 54924 • Oklahoma City, OK 73154-1924

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March 14, 1995

Jan Myers, Chair
House Small Business Committee
Room 2361, Rayburn House Office Building
Washington, DC 20515

Dear Ms. Myers:

On behalf of the National Association of Women's Yellow Pages, I would like to voice our association's support of the continuation of funding to support the Small Business Development Centers, the SBA Office of Women's Business Ownership and Technical Assistance Programs for Women.

Our members, our advertisers and our readers have benefited greatly from the referral, networking and counseling services provided by the Technical Assistance Programs for Women, such as the Women's Business Assistance Center administered by Kathryn Cariglino in Mobile, Alabama.

It is imperative that women business owners continue to be able to get assistance in starting a business, getting a loan, procuring government contracts and networking with other businesses through programs provided by these entities.

The National Association of Women's Yellow Pages urges your support in this matter.

Sincerely,

Michelle Schaefer

Michelle Schaefer
President

RCS ASSOCIATES

Recommended Consultant Services — specializing in business management solutions
10204 Glenmary Farm Drive Telephone: (502) 239 6026
Louisville, KY 40291 Fax: (502) 231 9682

Attention: Jan Meyers, Chair
House Small Business Committee
Room 2361
Rayburn House Office Building
Washington, DC 20515

The Small Business Development Center Programs are essential. I am a woman business owner and I have benefited indirectly from the services provided by the SBA programs.

"Do not destroy programs indiscriminately to save infinitesimal amounts of money." "Don't do it — Don't cut off your nose to spite your face" -

Rita Corbin-Stennett
Pres. RCS Associates.



**Teague Brothers Transfer and
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Mobile, Alabama 36607

(205) 476-6124

JAN MYERS, CHAIR
HOUSE SMALL BUSINESS COMMITTEE
ROOM 2361, RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

DEAR JAN:

AS A WOMEN OWNED SMALL BUSINESS, BOARD REPRESENTATIVE FOR ALABAMA WOMEN AND HANDICAPPED COUNCIL AND PRESIDENT ELECT OF NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS AND PAST PRESIDENT OF AMERICAN BUSINESS WOMEN ASSOCIATION, ALONG WITH A VERY ACTIVE ROLL IN THE CHAMBER OF COMMERCE IN MOBILE, ALA. AND SEVERAL OTHER CIVIC AND BUSINESS ORGANIZATIONS, I CONTINUALLY RECEIVE WORD OF MANY DIFFERENT ACTIONS THAT THE FEDERAL GOVERNMENT IS TAKING.

THE MAJORITY OF THE TIME I JUST SAY OH WELL LET IT HAPPEN AND I WILL DEAL WITH IT. HOWEVER, I JUST RECEIVED WORD OF THE PENDING HEARINGS SET FOR MARCH 16, REGARDING THE SBDC, SBA OFFICE OF WOMENS BUSINESS OWNERSHIP AND OUR LOCAL WOMENS BUSINESS ASSISTANCE CENTER.

I AM DEEPLY CONCERNED ABOUT THE FACT THAT THERE IS ANY POSSIBILITY OF THESE PROGRAMS BEING CUT, CONSIDERING THE FACT THAT WOMEN BUSINESS OWNERS ARE JUST BARELY BEGINNING TO LEARN WHAT BUSINESS IS ALL ABOUT, WE NEED THEIR EXPERTISE AND GUIDANCE.

TOGETHER AND SEPARATELY THESE THREE GROUPS HAVE BEEN INSTRUMENTAL IN MY BEING ABLE TO BEGIN MY BUSINESS AND TO MOVE THROUGH A MAZE OF GOVERNMENT RULES AND REGULATIONS. WITHOUT THE GROUPS ACTION ON MY BEHALF ON OCCASIONS IN 1991, AND SEVERAL TIMES IN 92, 93 AND 94 I WOULD HAVE FALLEN FLAT ON MY FACE.

Agent: American Red Ball Transit Co., Inc. (I.C.C. MC-6992)

BECAUSE OF THEIR INTERVENTION, THROUGH FINDING ANSWERS TO QUESTIONS THAT NO ONE ELSE WOULD TAKE THE TIME TO ANSWER AND THROUGH SEMINARS AND WORKSHOPS AND DIRECT CONSULTING, THEY WERE ABLE TO BRING EXPERTISE TO MY SMALL BUSINESS THAT I COULD HAVE NEVER HAVE AFFORDED TO HIRE DONE.

EVEN THOUGH I HAVE NOT PAID DIRECTLY FOR THESE PROGRAMS, THERE HAVE BEEN MANY OCCASIONS WHEN THE PROGRAMS THEMSELVES HAVE BE SUBSIDIZED BY PRIVET ORGANIZATIONS. NOT TO MENTION THE EFFECT THAT THE CONFERENCES AND SEMINARS, ETC. HAVE ON ANY GIVEN BUSINESS THROUGH ADDED TAX BASE TO THIS COUNTRY.

WOMEN OWNED BUSINESSES ARE THE FASTEST GROWING SEGMENT OF NEW BUSINESSES AND THEREFORE NEED THE MOST GUIDANCE. CAN YOU IMAGINE IF WE ALL DO IT WRONG OR WITH LITTLE OR NO DIRECTION. WE NEED THESE GROUPS.

I STILL USE THESE GROUPS ON A MONTHLY IF NOT WEEKLY BASIS FOR MY BUSINESS AND I REFER OTHER SMALL WOMEN OWNED BUSINESSES TO THEM EVERY DAY.

PLEASE DO SOMETHING TO INTERVENE ON THE BEHALF OF WOMEN BUSINESS EVERYWHERE AND SAVE THESE PROGRAMS.

SINCERELY,



DOTTIE TEAGUE
PRESIDENT\CEO
TEAGUE BROTHERS TRANSFER AND STORAGE CO., INC.

Cole Taylor Bank
350 East Dundee Road
Wheeler, Illinois 60090
708-537-0020



Ms. Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, D.C. 20515

Dear Chairwoman Meyers:

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial now! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

For example, the Women's Business Development Center (WBDC) is a Chicago-based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership. Over 18,000 small business owners from the Chicagoland area have benefitted from the programs and services of the WBDC. These services range from one-on-one consulting to loan structuring; from 4 month entrepreneurial training courses to 2 hour refresher courses; access to capital; and much more. With the help and support of the WBDC, the growth and strength of small businesses is healthy.

Please do not support the proposed cuts to the SBA. Continue to support the small business programs. The Low Doc SBA Loan Program is a workable and beneficial loan program for all concerned. Small businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Thomas".

Karen Thomas
Vice President
Community Affairs Officer

KT/is



6445 NORTH WESTERN AVENUE • CHICAGO, ILLINOIS 60645-5494 • (312) 465-2500

DEVON BANK

March 15, 1995

Jan Meyers
Chair, House Small Business Committee
2361 Rayburn House
Washington, DC 20515

Dear Ms. Meyers:

Your support of the Small Business Administration's Small Business Development Center, Office of Women's Business Ownership and demonstration programs is crucial now! By cutting funding to the SBA, you will place much needed business assistance programs in jeopardy and threaten the health of the economy.

The Women's Business Development Center (WBDC) is a Chicago based program which is supported through the SBA appropriations for Small Business Development Centers (SBDC) and through the SBA Office of Women's Business Ownership.

Over 18,000 small business owners from the Chicagoland area have benefitted from the programs and services of the WBDC. These services range from one-on-one consulting to loan structuring; from 4 month entrepreneurial training courses to 2 hour refresher courses; access to capital; and much more. With the help and support of the WBDC, the growth and strength of small businesses is healthy.

We are located in an ethically and culturally mixed neighborhood, and the SBA's programs have been vital to us to support our community. We have been able to refer new small business owners to the WBDC for assistance, and utilize the SBA guarantee programs to enable us to make otherwise undercollateralized loans.

Please do not support the proposed cuts to the SBA. Continue to support the Women's Business Development Center and other small business programs. Small businesses in the Chicagoland area are counting on you to respond positively to this urgent request.

Sincerely,

Robyn B. Weinstein
Assistant Vice President

NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS

March 13, 1995

 Jan Myers, Chair
 House Small Business Committee
 Room 2361, Rayburn House Office Building
 Washington, DC 20515

Dear Jan:

1377
 K street, NW
 Suite 637
 Washington
 DC 20005

Telephone
 301-608-2590
 Facsimile
 301-608-2596

8341
 Airport
 Boulevard
 Mobile
 Al 36608

Telephone
 205-633-5693
 Facsimile
 205-633-7972

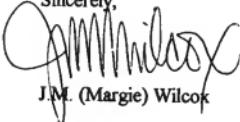
As a woman small business owner and president of the Mobile, AL chapter of the National Association of Women Business Owners, I am very displeased that the opportunity exists for the cutting of the programs that helped me and others like me.

As president of NAWBO, I have sent many of our members and other women referrals to the Women's Business Assistance Center for advice. These entrepreneurs have been given valuable information and planning tools that help them to insure their success. Programs like these give hope to the economy, a hope that is necessary for us to survive in today's world.

I feel very strongly about small businesses and their contribution to the economy. I think that there are other areas of government that could be cut, but to cut off something as vital and as important as small businesses really does not make much sense, economically. Every new small person employs at least one more person, and I think that is very important.

Thank you very much for your time, and I hope that what I have said sheds some light on just how valuable these programs are.

Sincerely,



J.M. (Margie) Wilcox

N

A

W

B

O

A MEMBER OF LES FEMMES CHEFS D'ENTREPRISES MONDIALES





March 14, 1995

VIA FACSIMILE
(202) 225-3587

Ms. Jan Meyers, Chair
HOUSE SMALL BUSINESS COMMITTEE
Room 2361
Rayburn House Office Building
Washington, D.C. 20515

Dear Ms. Meyers:

I am writing as a member of the Greater Detroit Chapter of the National Association of Woman Business Owners. I am very concerned about continued funding for 3 SBA Programs; the Small Business Development Center Program, Office of Women's Business Ownership, and Women's Technical Assistance. The Office of Women Business Ownership represents more than 8 million women business owners. The WNET program and the Women's Pre-Qual Loan Program are effective low cost programs that serve the fastest growing segment of the economy. The demonstration projects benefit business owners who are not served by any other public or private organization.

It is extremely important to us that these programs continue to receive funding. We look to you to advocate on our behalf.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mary J. Miller".

Enclosure(s)

Contact Security, Inc.

Serving Los Angeles, Orange & Riverside Counties

14241 E. Firestone Blvd, Suite 400

La Mirada, CA 90638

(310) 407-3300 / (310) 407-1406 fax

March 17, 1995

The Honorable Jan Meyers
Chair of House Committee for
Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Honorable Jan Meyers,

I am writing to you as a woman, minority owned business.

It has been brought to my attention that there is a strong possibility that the Small Business Development Center in Orange County will be closed due to lack of funding.

I am an Orange County resident, I am more than aware of the fiscal situation that Orange County is facing. Yet, we as small business owners are the back bone of any and all communities, and economies. We collectively provide a greater percentage of jobs, community support, and economic stability to all communities than any other economic group.

Unfortunately though, we don't always have a tremendous advantage, or much support. Banks won't talk to us, we can't always afford the outside expertise that we may desperately need to survive. Particularly in this day and age where anything from earthquakes, hurricanes and at best, public servants "in whom we trust" make grave (unchecked) financial decisions, can literally be the death of a company.

The Small Business Development Center is one of the few, if only lifelines available to the small business owners.

I, like hundreds of small business owners have, been able to take advantage of what the Small Business Development Center has to offer. It has had a tremendous impact on my business's profitability, expansion, marketing, and future success.

Realizing that there are many sacrifices to be made in these volatile times, we also must make investments for our economic future. If we do not have a firm, stable, and secure foundation of small businesses supporting the economies and communities there will be nothing for anyone to support.

I strongly recommend, that there be a demonstration of commitment to the small businesses supporting so many families and communities and the future economies that the Small Business Development Center and other organizations like it remain open and strongly supported for our future, and survival.

Best Regards,


Michelle Quesada
Contact Security, Inc.

SBDCs repay investment with new jobs, revenue

Invest \$1. Get back \$4.77.

You'd sleep that up, until you retired to a beach on Balear or a chateau in a French vineyard. Small Business Development Centers deliver those returns, says Arizona Director Michael N. York. Not doubt he has a bias, as the head of the statewide network. It is a partnership between the state's 10 community college districts and the U.S. Small Business Administration.

The numbers come from research recorded in careful and conservative. The author, Dr. James J. Christiansen, is professor of management at Carondelet's University of Calgary in Alberta. Dr. Christiansen estimates that, in a year, the SBDC program produces substantially:

■ \$8.7 billion in sales.

■ 68,000 new jobs.

■ \$250 million in federal and state revenue.

For every federal and non-federal \$1 spent, the SBDCs return \$2.12. Mr. York applied this ratios to his centers' work in 1993. The impact on Arizona's economy:

■ \$134 million in sales.

■ 2,475 new jobs.

■ \$10.5 million in federal revenue.

■ \$5.8 million in Arizona state revenue. "The return on federal and non-federal dollars spent on Arizona's SBDCs is \$4.77 per dollar invested," Mr. York estimates.

Dr. Christiansen's research withstands scrutiny, economists say, because he counts only long-term clients who were satisfied with SBDC services. He subtracts sales, jobs and revenue that averages business experience.

The SBDCs' results, measured in hard dollars, warm even a banker's heart. They make the most compelling argument for sparing SBDCs in any Washington budget whacking.

Storytelling is, frankly, more exciting than numbers, in bringing home a public policy issue. Usually, for every advocate's good story, an opponent can drum up a contradiction tale. Hardly so, with SBDCs. You have to hunt long and hard to find Arizona business people who are dissatisfied with the performance of an SBDC.

Instead, you hear from businesses like these two:

El Charro Restaurants The downtown Tucson restaurant has been serving Sonoran-style Mexican food for 70 years. Owner Ray Flores Jr. knows running a restaurant is more than leaving to coast. He needs a profit from the discipline of a formal business plan for expansion. He went to the Phoenix SBDC. "The most important thing that someone can get out of [SBDC] is to remind you why you are 'there'—to name names," he says of his work with counselor Janet Nusar.

Fluke Technologies Egil Gransas moved from California and read about the SBDC in a Yuma newspaper. Now he has a \$100,000 SBA Low-Doc loan to finance his idea: manufacturing high-intensity light sources, lamps used in packaging lasers. Mr. Gransas had a high-tech vision, an idea to take to market. The SBDC taught him how to "speak business" to the bankers world. Indeed.

Nobody minds Arizona's business-like SBDCs. Their funding should not be cut back. They are an investment, not an expense, in Arizona's future.

**MARY LOU
BESSETTE**

Entrepreneur
**Arizona
Business
Review**

Let's keep our Small Business Development Centers

Small Business Development Centers should be spared the Congressional budget ax.

Killing them would be like dismantling the Native American's Fort Detachment. Native Americans are the 4th largest tribe of Northland's Pioneer College's SBDC, in charge of their own government.

So, it goes in all of Arizona's 15 counties. Outstanding field training services are provided in 16 business categories. One-on-one business consulting, also is done regularly throughout Arizona. Services is convenient to customers in urban and semi-rural areas. Local people also do it, and they know best what works in their own communities.

In 1994, Arizona's SBDCs gave 20,000 hours of consulting to more than 4,100 Arizonans. More than 6,000 people attended 400 seminars and short courses. Even, one, small business expert, L.A. Mitchell, attends an occasional field clinic to keep ahead of her best.

Climate joins Arizona business leaders in calling SBDCs an indispensable resource. Jon Dean, state government's small business advocate, sums it up when he says:

"They don't just fix a problem and run. People who go to SBDCs see a lot sharper in their business operation forever."

Next week: state Arizona success stories and cost/benefit financials on SBDCs that would warm a banker's heart.

A tour of SBDCs shows they are as diverse as Arizona's landscapes. Pima Community College's SBDC reflects Tucson's opportunities for exporting to nearby Mexico. The Cochise County SBDC

specializes in technology and insurance businesses. In rural states, many small companies are not based in the city. Fort Detachment, Native Americans are the 4th largest tribe of Northland's Pioneer College's SBDC, in charge of their own government.

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FOR YOUR INFORMATION

Heller's actions to date, which have been organizational affiliations other than his own, and his Department Center must be given due measure.

■ U.S. Rep. J.D. Hayworth, District 1: (602) 295-4161, 1023 Langworthy House Office Building, Washington, DC 20515.

■ U.S. Sen. Jon Kyl (R) (602) 840-3251, 4250 E. Camelback Road, Suite 1400, Phoenix, AZ 85018.

■ U.S. Rep. Jim Kolbe, District 5: (602) 881-3658, 1661 N Scott Road, Suite 112, Tucson, AZ 85712.

■ U.S. Sen. John McCain, District 1: (602) 952-2410, 1-3 Russell Senate Office Building, Washington, DC 20515.

■ U.S. Rep. Ed Pastor, District 2: (602) 256-0551, 802 N. Third Ave., Phoenix, AZ 85003.

■ U.S. Rep. Matt Salmon, District 1: (602) 831-2300, 115 Cannon House Office Building, Washington, DC 20515.

■ U.S. Rep. John Shadegg, District 4: (602)

248-7779, 1158 E. Mississippi Ave., Suite

100, Phoenix, AZ 85014.

■ U.S. Rep. Bob Stupak, District 2: (602)

379-6923, 211 Cannon House Office Build-

ing, Washington, DC 20515.



Hopper Business Solutions

As a business owner, I felt compelled to write to you to stress the importance of the Small Business Development Centers (SBDCs), demonstration sites across the United States, offices of women business owners services and other SBA-funded small business programs. Currently, these programs are in jeopardy and you are in the position to help retain these programs.

When I began my business a year ago, I felt alone and confused. Starting a business is a difficult process and there is a lot of to learn. I did not know where to begin. I tried some of the business books, but got no feedback or personalized touches. Then, a kind person told me about an SBA-funded program called EXCEL. I decided to try one of the courses that was offered through this program. After taking the first course, Help, I've Become an Entrepreneur, I knew that EXCEL was perfect for me. I decided to take all of the courses. The two main reason I chose EXCEL were because it was affordable and very extensive. I learned how to deal with all facets of running a business from bookkeeping to managing employees. Without the help of this organization, I do think that I would not have the business that I am running today. I can see the future and it looks bright!

Along the same lines, when I was ready to get financing for new equipment, I had a resource, EXCEL. I was pointed in the right direction for help in getting my business plan organized and learned how to present myself to the banker. After that, I was on my own, and because of an SBA-funded loan program, I received my first business loan. Again, without the help of the SBA program, this bank would not have funded me because I am considered a high-risk being in the service industry and in business less than a year. Without EXCEL and the SBA loan programs, I would be using my credit card and driving our economy into a deeper deficit, but because of these programs, I am prepared to make my business as successful as possible and contribute to our economy.

It seems to me that programs like these help small business, like mine, grow and prosper. Since service business, mostly owned by women, are growing more rapidly than ever, it is important that we continue these programs.

Some food for thought, some analyst predict that all small businesses combined will employ more people and bring more money into our economy than all the Fortune 500 companies combined.

I hope that you will support and continue to fund these wonderful programs. They are valuable and have helped me achieve the success and will continue to contribute to our nation's economy.

Sincerely,

A. Saigal

Ashima Saigal
Hopper Business Solutions, Inc., President

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